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ABSTRACT

Findings of three studies are presented to indicate the potential for states to use Unemployment Insurance (UI) wage records to track the employment and earnings experiences of participants in programs provided under the Job Training Partnership Act (JTPA). The UI wage-record data are shown to offer substantial cost savings and other benefits in managing program performance. Following the narrative summary and recommendations is the four-chapter report. Chapter I contains the rationale for using the UI wage-record data for JTPA's performance standards. Chapters II-IV present results of the three studies. Chapter II examines administrative aspects of linking the two data sources. Based on information from a canvass of all states, the chapter describes the wage-record reporting system, documents the states' data sharing experiences, discusses the issue of confidentiality, and examines key issues in data sharing, such as costs and data accuracy. Chapter III documents the results of an investigation of states' confidentiality laws and administrative practices with regard to UI. Chapter IV, a continuation of the technical feasibility study, presents findings from Phase II covering 15 states and Program Years 1986 and 1987. It analyzes nonresponse biases in the follow-up survey and coverage problems in the UI data. UI data are used to track the labor market experiences of JTPA terminees in the first 2 years after leaving the program. Attachments and appendixes following each chapter include a total of 83 endnotes. (YLB)

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USING UNEMPLOYMENT INSURANCE WAGE-RECORD DATA FOR JTPA PERFORMANCE MANAGEMENT

Research Report 91-07

JUNE 1992

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June 1992

To the President and the Congress of the United States:

On behalf of the National Commission for Employment Policy, I am pleased to submit this report of findings and recommendations on using Unemployment Insurance (UI) wage-record data for performance management of programs funded under the Job Training Partnership Act (JTPA). The report deals with performance standards for economically disadvantaged adults who have completed JTPA's Title II-A programs and for dislocated workers who have completed JTPA's Title III/EDWAA programs.

When JTPA was enacted in 1982, it was the first time that a major domestic social program had a strong "outcomes" orientation. The President and Congress viewed JTPA's training programs for economically disadvantaged youth and adults and for dislocated workers as an investment, one which was to reap a positive return. The Act established a strong performance management system, with performance standards -- measures of the return on investment -- as a central component.

Over time the Department of Labor has been refining these performance standards and the methods of collecting the outcomes data necessary to implement them. In the early years of the program, the Department required data on such performance measures as "employment at time of termination from the program" and "wage at placement" for adults.

As the system matured, the Department shifted its emphasis to longer-term measures of program performance; this shift reflected the Department's on-going concern that the program have a long-term impact on its participants' employment and earnings. By 1986 the Department required the collection of follow-up data.

While this shift in emphasis was an important step forward in assessing the effect of the training programs, it has had significant adverse implications for program administration and administrative costs. To obtain the required information, program terminees are surveyed by telephone during the thirteenth week after they leave the program. Implementation is difficult and costly.

Since this survey method was instituted, an alternative way to collect employment and earnings information has emerged. As a result of the Deficit Reduction Act of 1984, effective September 1988, the employers in each State are required to submit quarterly wage reports to a State agency (which may be the agency administering the State's unemployment compensation law). At present, all but two States meet this mandate through their UI wage reporting system. These now widely available UI wage data offer a low-cost way to obtain the needed basic information about JTPA's performance.

This report addresses the technical and administrative issues involved in taking advantage of this new data source. It also shows the usefulness of the UI wage data in measuring the long-term effectiveness of JTPA's services and documents cost savings in excess of $2 million annually. Finally, the report suggests the potential value of UI wage-record data as a "common currency" for measuring the performance of JTPA and other employment and training programs.

This report underpins the Commission's recommendation to provide States with an option to use the UI wage-record data, in place of the telephone survey data, for JTPA performance standards. While a period of transition, and specific technical assistance on the part of the Department of Labor, will be required to implement this option, the long-term benefits to the JTPA system are great.

Now more than ever, the Nation needs to know how well its training programs are doing because the training needs of America's workforce are growing. At the same time, government budgets are tightly constrained; every dollar is stretched to its limit. The Commission is recommending a more cost-effective way of measuring JTPA's return on investment.

John C. Gartland
Chairman

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■ SUMMARY AND RECOMMENDATIONS

Introduction

The National Commission for Employment Policy (NCEP) has sponsored a project to investigate the potential for States to use Unemployment Insurance (UI) wage records to track the employment and earnings experiences of participants in programs provided under the Job Training Partnership Act (JTPA). This part of the report presents a summary of the project and the Commission's recommendations. The next part presents the studies that formed the basis for these recommendations.

This introductory section contains the rationale for using the UI wage-record data for JTPA's performance standards, the central component of its system of performance management. The second section provides a brief background on the studies that have comprised the project. The third section contains the recommendations adopted by the Commission at its 64th Meeting on September 19-20, 1991.

The UI wage records are a promising alternative to the telephone survey now used by the States to measure post-program employment and earnings in order to implement federal performance standards for JTPA programs. These standards are driven by the legislative provision that job training is an investment in human capital and that the basic return on this investment shall be measured in terms of the increased employment and earnings of participants and the reductions in welfare dependency.[1]

The wage records contain the quarterly earnings of workers employed in firms covered by States' UI systems. States maintain the records in order to administer unemployment insurance benefits and taxes. This NCEP project has examined the possibility that these UI data can also be used to track the labor market experiences of JTPA participants.

The UI wage records have great potential as a data resource for JTPA performance management and program evaluation because they offer the following benefits:

- The ability to obtain vital information about the employment and earnings of virtually all JTPA participants at all levels of service delivery.
- The ability to link the employment and earnings of JTPA participants to a number of important factors, including participants' characteristics (e.g., age and education) and types of program services (e.g., occupational classroom training and on-the-job training).
- The ability to track the employment and earnings of participants by quarter over long periods of time before and after receiving employment and training services.

- The potential ability to evaluate the net impact of program services through the use of a comparison group for which employment and earnings can be measured in the same way as for the participant group.

Moreover, the use of UI wage-record data in place of the telephone survey data, now used for JTPA performance standards, promises large annual savings in the costs of data collection for the States. For example, based on information provided by nineteen States participating in the NCEP Project, the estimated combined savings for the Title II-A adult and Title III/EDWAA programs ranged from $4,500 per year for a relatively small State to $300,000 per year for a very large State.[2] These savings are the difference between the annual costs of the telephone survey in Program Year 1990 and the estimated operating costs of using the UI wage records had they been used instead of the survey.

Such annual savings in the costs of data collection may be offset somewhat if States incur increased costs of data analysis. This could occur if States decide to use the UI data to evaluate JTPA outcomes more closely than is possible with the survey data. However, the States are likely to reap large cost savings in any event.

The National Governors' Association (NGA) estimated similar cost savings: the average cost for follow-up is about $2 per JTPA participant using the UI wage records, while the average cost is about $19 per completed interview using the current telephone survey.[3] The total annual cost to the States of collecting the follow-up information required for performance standards under the JTPA Title II-A (adult) and Title III/EDWAA programs would be about $2 million less if the UI wage records were used rather than the survey.

NGA also found that start-up costs for the State UI offices ranged from $600 in a small State to $20,000 in a large State. Generally, the annual savings to the States that can be obtained by using the UI wage records rather than the survey are much larger than these start-up costs.

Project Background

This NCEP Project began in 1988 when eleven States joined the NCEP in a feasibility study of linking records of the JTPA participants with wage records from the States' UI systems. The State of Illinois, with Northern Illinois University as its agent, served as a clearinghouse for integrating the data from the States. The eleven States provided UI wage data for their JTPA participants who terminated from the program during Program Year 1986.

The NCEP issued a Research Report on these initial investigations, A Feasibility Study of the Use of Unemployment Insurance Wage-Record Data as an Evaluation Tool for JTPA: Report on Project's Phase I Activities (January 1991). Because of the encouraging nature of the report's findings, in conjunction with growing interest by States in using the UI data for performance management, the Commission expanded the project in two phases. In Phase II, four new States and data for Program Year 1987 were added; in Phase III, five more States and data for Program Year 1988 were added. The U.S. Department of Labor (DOL) provided some financial support for this expansion.

The project also included the three studies presented in Chapters II to IV below. A wide range of technical and administrative issues involved in using the UI data for JTPA performance management were addressed.[4] The studies were:

- **A Canvass of All States** conducted by the National Governors' Association. This study obtained information on the barriers to data-sharing agreements between the JTPA and UI agencies, staff resource and cost constraints that impede the linkage of

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the two data sets, and methods that States have developed to overcome these barriers and constraints.

- **A Confidentiality Study** conducted by Dr. David Stevens of the University of Baltimore. This study analyzed the key confidentiality provisions found in State statutes and accompanying administrative documents. This information was obtained from the State Employment Security Agency administrators of all States.
- **A Technical Feasibility Study** conducted by Northern Illinois University. This study used the linked data to examine response biases in the survey data, coverage problems with the UI data, and the dynamics of the labor market experiences of JTPA participants after they leave the program.

The findings from these studies indicate that it is feasible for many States to use the UI wage-record data for JTPA performance standards, provided that a transitional approach is taken. These findings were discussed at an NCEP Project Workshop held in Alexandria, Virginia on September 5-6, 1991. The workshop served as a forum for the State representatives to offer their views on the feasibility and desirability of using the UI wage records for JTPA performance standards. Also attending the research presentations were staff from the U.S. Department of Labor, National Occupational Information Coordinating Committee, and Interstate Conference of Employment Security Agencies.

More than half of the representatives present at the workshop predicted that their States would adopt the UI approach in Program Year 1992 if given the choice. The other representatives predicted that their States would follow soon thereafter, probably in Program Year 1993.

The next section presents the recommendations adopted by the National Commission for Employment Policy at its 64th meeting on September 19-20, 1991. These recommendations are aimed at facilitating the earliest effective use of the UI wage records for JTPA performance management.

Recommendations

These recommendations would give the U.S. Department of Labor (DOL) a transitional year in which to adapt its national methodology for performance standards to use of the UI wage data. In addition, these recommendations envision that each State would require at least one year to adapt its State procedure for implementing performance standards to use of the UI data.[5] For example, the State of Illinois has already begun this transition. Other States could choose to start in Program Year 1992.

> **RECOMMENDATION 1:** The Department of Labor should offer States the opportunity in Program Year 1992 to conduct pilot projects in which the UI wage-record data are used in the States' implementation of performance standards and associated incentive grants. These projects could involve either individual States or regional consortia of States, depending on the States' desire to pool data and other resources.

The participating States would employ both the UI wage-record data and the telephone survey data for direct comparison during the application of performance standards.[6] The NCEP is recommending that the DOL fund the start-up and operating costs of accessing the UI data for all States evidencing the readiness to conduct the pilot projects. The States would remain responsible for the costs of the survey data during this transitional year. As indicated earlier,

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the start-up costs of accessing the UI data are generally small relative to the resultant annual savings in data collection costs.

Since the survey data would be collected for all States in Program Year 1992, it would be possible for DOL to maintain its current national methodology during the first half of the next two-year cycle of performance standards.

This transitional approach would give DOL a year in which to test alternative performance measures and standards adjustment models based on the UI data. NCEP has shared the UI data collected through its project with DOL, so that these tests are under way. As part of its development agenda, DOL could compare adjustment models estimated from individual data for JTPA participants to models estimated from aggregate data for Service Delivery Areas (SDAs).

The proposed use of individual data has considerable appeal, since state-specific models can be developed from the individual data but not the SDA-aggregate data.[7] State-specific models based on individual UI data might provide a more equitable basis for adjustments in SDA performance standards than would a national model based on either individual or SDA-aggregate UI data.

As another part of its development agenda, DOL could examine the possibility of restoring immediate outcomes (e.g., wage rate at placement) to the national set of performance measures by Program Year 1994. The UI wage-record data become available one to two quarters later than the survey data. This delay raises issues about the timeliness of the UI data for (1) federal oversight of the JTPA system, (2) State policy concerning incentive grants and sanctions, and (3) local program management. The restoration of immediate outcomes to the set of measures for performance standards, to be used in close conjunction with the follow-up measures, would respond to these issues of timing.

In addition, DOL would have a transitional year in which to develop the technical assistance package needed by many States to use the UI data for performance standards. This need is taken up in Recommendation 5 below.

Regional consortia may be necessary for two reasons. First, for some SDAs, out-of-state employment is extensive (e.g., the Cincinnati, St. Louis and Washington, D.C. areas).[8] In these cases, States may not be satisfied with a statistical adjustment procedure, as envisioned in Recommendation 4 below. Interstate data sharing may be the preferred way to assure equity in the application of performance standards among the SDAs.

Second, some States (small ones in particular) do not currently have the staff resources to take full advantage of the UI data for purposes of performance management and related program evaluation. Multi-state consortia may be the cost-effective way for these States to process and analyze the UI data.

> **RECOMMENDATION 2:** States should be offered the choice starting in Program Year 1993 to use the UI wage-record data in place of the telephone survey data for JTPA performance standards. States would be able to discontinue the survey upon demonstrating the capacity during a transitional year to use the UI data in implementing all aspects of performance standards and associated incentive grants.

During their transitional year the States would collect both the UI wage-record data and the telephone survey data for direct comparison during the States' application of performance standards. The NCEP is recommending that the DOL fund the start-up and operating costs of accessing the UI data for all States choosing to make the transition. The States would remain responsible for the costs of the survey data during their transitional year.

States that conduct pilot projects in Program Year 1992 would have accomplished their transition. They would be able to discontinue the telephone survey in Program Year 1993 and thereby reap the cost savings associated with the UI data. The other States would have this opportunity as early as Program Year 1994, depending on when they choose to make their transition. States would be responsible for the costs of accessing the UI data upon discontinuation of the survey.

In addition to the experience obtained from the pilot projects in Program Year 1992, the States exercising the choice in Recommendation 2 would be able to draw upon the technical assistance developed by DOL during that year. States could choose to use the UI data through formal statements of intent and capacity in their State plans submitted to DOL.

A choice-based system, such as this, raises complications for DOL with regard to the federal reporting and communication of JTPA outcomes. The NCEP is sensitive to these complications and would work with DOL to avoid the emergence of a "patchwork quilt" of performance standards. Universal adoption of the UI data may be the long-run solution.

As the States and DOL gain greater experience in using the UI data for performance standards, universal adoption of the UI data may become feasible, perhaps as early as Program Year 1996. Universal adoption is desirable on many grounds. For example, post-program earnings would then be measured in the same way by all States.[9] This uniformity would facilitate federal reporting and communication of JTPA results to policymakers and the public. It also would enhance coordination between the JTPA program and other employment and training programs (e.g., those under Vocational Education, AFDC/JOBS, and Food Stamps) by fostering a "common currency" for performance standards.

In support of overarching Recommendations 1 and 2, the NCEP also offers the following recommendations.

> **RECOMMENDATION 3:** States that choose to use the UI wage-record data for performance management should develop written agreements for all resultant UI data-sharing activities.

These written agreements should assure responsible and prudent management of the UI data. Such agreements would be necessary when States wished to share UI data with each other to obtain information on out-of-state employment or with their SDAs to aid local program management.[10]

> **RECOMMENDATION 4:** The Department of Labor should develop a procedure to make statistical adjustments in JTPA performance standards for variations in UI coverage and out-of-state employment among Service Delivery Areas.

This procedure would be in the same spirit as the current effort to adjust for response biases in the telephone survey. The procedure would include a statistical approach to the out-of-state employment issue. A more direct approach would be interstate data sharing, as envisioned in the regional option included in Recommendation 1.

Finally, the NCEP would like to stress the importance of technical assistance by the DOL in facilitating the earliest effective use of the UI wage records for JTPA performance management.

RECOMMENDATION 5: The Department of Labor should provide technical assistance to the States as needed with regard to both the linkage of UI and JTPA records and the analysis of program outcomes using the linked data.

This technical assistance could be designed and tested during the conduct of the pilot projects envisioned in Recommendation 1. DOL should develop a national mechanism whereby the results of these pilot projects would be documented and synthesized for dissemination to all the States.

In addition, the technical assistance could encompass the development of state-specific adjustment models based on individual data. Research efforts by DOL and the States may show that such models are a better way for States to prescribe variations in the standards than the current national model based on SDA-aggregate data.

Endnotes

1. Section 106 of the Job Training Partnership Act mandates the establishment of performance standards. For the adult programs funded under Title II-A, performance is to be measured in terms of increases in employment and earnings and reductions in welfare dependency. Section 106(b)(3) provides for access to earnings records, State Employment Security records, and similar administrative data.

2. Such savings to the States are examined in Appendix I.B of the project report below.

3. See Chapter II of the project report below.

4. Many of these issues are outlined in Nancy Bross, "Using Unemployment Insurance Wage-Record Data for JTPA Postprogram Performance Standards," Research and Evaluation Associates, Inc., July 1991. This paper was prepared for the U.S. Department of Labor to facilitate discussion at a UI Technical Workgroup meeting in Washington, D.C., July 9-10, 1991.

5. The national methodology for performance standards is optional for the States but widely used. States may prescribe variations in the standards based upon state-specific factors. It is assumed that States would require at least one year to develop the variations in the standards made possible by the UI data.

6. The pilot projects envisioned in Recommendation 1 are a natural extension of the activities involved in the NCEP Project.

7. SDA-aggregate data cannot generally be used to develop state-specific models due to sample size limitations and loss of information content in the aggregation process.

8. The issue of out-of-state employment was examined in the Canvass of States and the Technical Feasibility Study, and it was a prime topic at the NCEP Project Workshop. While out-of-state employment raises serious UI coverage problems for a relatively small percentage of SDAs, it frequently raises political problems due to local concern over equity in the distribution of State incentive grants.

9. For those States choosing to use the UI data, the basic outcome measure presumably would be UI earnings during the first (or second) quarter after the quarter of termination. In contrast, for those States continuing to use the survey data, the corresponding outcome measure would be reported earnings during the 13th week after the date that participants leave the program, assuming the survey approach stays the same.

10. DOL's proposed regulations on confidentiality of UI data, published for comment on March 23, 1992 (57 FR 10064), provide some guidelines for the development of these agreements.

USING UNEMPLOYMENT INSURANCE WAGE-RECORD DATA FOR JTPA PERFORMANCE MANAGEMENT

PROJECT REPORT

PREFACE

The National Commission for Employment Policy began this project in 1988 when eleven States joined the Commission in a feasibility study of using the States' Unemployment Insurance (UI) wage records to track the employment and earnings experiences of participants in programs funded under the Job Training Partnership Act (JTPA). The State of Illinois, with Northern Illinois University as its agent, served as a clearinghouse for integrating the data from the States.

The Commission issued a Research Report on the results of its initial investigations, A Feasibility Study of the Use of Unemployment Insurance Wage-Record Data as an Evaluation Tool for JTPA: Report on Project's Phase I Activities, (January 1991). Because of the encouraging nature of the report's findings, in conjunction with growing interest by States in using the UI wage data for JTPA performance management, the Commission expanded the project in two phases. As a result, twenty States were participating by the end of 1991 (see list of States below), and data were being collected for three program years. The U.S. Department of Labor provided financial support for the last five States joining the effort.

The project's expansion also included the three studies presented in this report. The findings from these three studies, plus the initial study just cited, formed the basis for the Commission's recommendations with regard to using UI wage records for national performance standards, the central component of JTPA's system for performance management. These recommendations were made by the Commission as part of its ongoing mandate to advise the Secretary of Labor on the development of these standards. Commissioners Henri Rauschenbach, Melanie Lackland and J. Michael Levesque served as a special workgroup, with Mr. Rauschenbach as Chair, to draft these recommendations.

Findings from the three studies were reviewed and discussed at a Commission Workshop held in Alexandria, Virginia on September 5-6, 1991. The workshop served as a forum for the representatives of the twenty participating States to offer their views on the feasibility and desirability of using the UI wage records for JTPA performance management. Also attending were the Commission's workgroup and staff from the U.S. Department of Labor, the National Occupational Information Coordinating Committee, and the Interstate Conference of Employment Security Agencies. Following the workshop, the authors of the studies and the Commission solicited additional reviews from numerous agencies and experts.

Ray Worden, formerly of the Commission staff, launched the project and coordinated Phase I. Upon the departure of Mr. Worden, Vince Geraci became the project officer. Mr. Geraci is on assignment to the Commission from the University of Texas at Austin through an Intergovernmental Personnel Act agreement. He completed Phase I and managed all subsequent aspects of the project, including the further phases of data collection and the three studies. He is also the editor of this report. At various stages he was assisted by Carol Romero and other members of the Commission staff, including Robert Ainsworth, Everett Crawford, Amy Howard, Barbara Oakley, and Anita Smith.

On behalf of the Commission and its staff, I would like to thank the authors of the studies for the time and effort they put into their investigations and for their willingness to subject their findings to extensive review. I also would like to thank the reviewers for their time and effort, and the representatives of the participating States for their active involvement in this Commission project. State representatives who made special contributions include Jim Hanna (Nevada), Timothy Harmon (Illinois), and Sandra Owens (Missouri). Finally, I would like to thank Karen Greene and Mary Ann Wyrsch of the U.S. Department of Labor for their comments on the last draft report.

Barbara C. McQuown
Director

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Idaho	Jeff Klein	I,II,III
Illinois	Tim Harmon	I,II,III
Indiana	Patrik Madaris	I,II,III
Kentucky	David Rigsby	II,III
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CHAPTER I

JTPA Performance Standards And Measures

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■ CHAPTER I
JTPA Performance Standards And Measures

The Congress recognizes that job training is an investment in human capital and not an expense. In order to determine whether that investment has been productive, the Congress finds that --

(1) it is essential that criteria for measuring the return on this investment be developed; and
(2) the basic return on the investment is to be measured by the increased employment and earnings of participants and the reductions in welfare dependency.

Section 106 (a) Job Training Partnership Act
Public Law 97-300, 1982

A Brief History Of JTPA Performance Standards

The Job Training Partnership Act (JTPA) provides the nation's primary programs for training economically disadvantaged youth and adults and for training dislocated workers. Title II-A authorizes programs for economically disadvantaged youth and adults. Title III authorizes programs for dislocated workers.[1]

When JTPA was enacted in 1982, Congress was very clear about its intent: the training programs were to be viewed as an investment in people, and program performance was to be evaluated in terms of the return on this investment. An "outcomes" orientation, complete with provisions for financial incentives and sanctions, would drive this major domestic social program.

Congress directed the Secretary of the U.S. Department of Labor (DOL) to establish standards for JTPA's system of performance management. DOL interprets these standards as numerical levels of minimally acceptable performance with respect to program outcomes. For adults in the Title II-A programs, the Congress stated that

> ... the Secretary shall prescribe standards on the basis of appropriate factors which may include: (A) placement in unsubsidized employment, (B) retention in unsubsidized employment, (C) increases in earnings, including hourly wages, and (D) reduction in the number of individuals and families receiving cash welfare payments and the amounts of these payments.[2]

Although Congress indicated that standards were also to be established for Title III programs, no specific alternatives were suggested. One reason was that the employment and training system had less experience with programs for dislocated workers than programs for economically disadvantaged persons. The JTPA system was given additional time to develop and test performance standards for Title III programs.

Congress suggested a variety of ways to collect the data needed to determine if the performance standards were being met:

> The standards shall include provisions governing --
>
> ... cost-effective methods for obtaining such data as is necessary to carry out this section, which, notwithstanding any other provision of law, may include access to earnings records, State employment security records, Federal Insurance Contributions Act records, State aid to families with dependent children records, statistical sampling techniques, and similar records or measures.[3]

Under its mandate to advise the Secretary of Labor on the development of JTPA performance standards, the National Commission for Employment Policy (NCEP) began a project in 1988 to assess the feasibility and desirability of using the States' Unemployment Insurance (UI) wage records to track the employment and earnings experiences of JTPA participants. This report presents the findings from three studies designed to address the administrative and technical issues involved in using the UI data for JTPA performance management. These findings underpin the Commission's recommendations for offering States the option to use their UI wage-record data for JTPA performance standards, in place of the telephone surveys of program participants that are currently being required for the Title II-A (adult) and Title III programs.

In brief, Chapter II discusses the findings from a canvass of all States that examined the administrative issues involved in States' using the UI wage records for JTPA performance management. Chapter III focuses on confidentiality, which is a key issue in using UI data for non-UI purposes. Chapter IV provides a comparison of the UI wage records to the current telephone survey and illustrates their utility for tracking the post-program employment and earnings of JTPA participants.

These chapters necessarily include detailed discussions of specific administrative and technical matters. The remainder of this chapter places these discussions into context by first describing JTPA's performance standards, the central component of its system for performance management, and then presenting an overview of the issues to be addressed.

Performance standards in JTPA programs hold the employment and training system accountable for the programs' outcomes.[4] Each level of the JTPA system – federal, State, and local -- has a role to play in the performance standards system.

JTPA directs the Secretary of Labor to establish measures of program performance in terms of outcomes and to set standards for these measures. As indicated earlier, the standards are numerical levels of minimally acceptable performance. The Secretary may modify these standards no more than once every two years.

For Program Years 1984 and 1985, CETA data were used to set the JTPA standards, since JTPA data were not yet available. Starting with Program Year 1986, JTPA experience has been used. The national measures and standards for program performance have evolved significantly over time, as discussed below.

States have several roles in performance management. First, if the national standards do not suffice to meet a State's goals, the Governor may add performance measures and standards beyond those established at the national level. Second, the Governor may adjust the standards across the State's local Service Delivery Areas (SDAs) in order to take into account variations in local conditions that affect an SDA's ability to meet its standards but are outside its control (for example, the local area's unemployment rate).[5] Third, States have a set-aside (6% of their JTPA allocation) which they use to reward SDAs for meeting (or exceeding) their standards, to provide technical assistance to SDAs, and to provide incentives for serving particular "hard to serve" groups of participants.

SDAs and their Private Industry Councils (PICs) are responsible for meeting the performance standards. The law gives them great flexibility in the selection and organization of the mix of training programs and program participants. An SDA/PIC has strong incentives for meeting (or exceeding) its performance standards for Title II-A programs, since at the end of a Program Year its State may give it additional funds in the form of "incentive awards," depending upon its performance.[6] On the other hand, if an SDA/PIC fails to meet its standards for two consecutive Program Years, the State may sanction it.[7]

TITLE II-A (ADULT) PROGRAMS

DOL began to implement this system of performance standards in Program Year (PY) 1984. Since then, information on Title II-A program terminees has been reported by the SDAs at the end of a Program Year as part of their JTPA Annual Status Report; these reports have been transmitted to the States, and from the States to DOL.

Initially, the national standards for adult participants were based on the following measures of their labor market experiences at the time they left the JTPA program:

- Entered Employment Rate (the proportion of adult terminees who entered unsubsidized employment upon leaving the program);
- Average Wage Rate at Placement (the average wage rate of those terminees who entered unsubsidized employment upon leaving the program);
- Cost per Entered Employment (the cost of the program per person who entered unsubsidized employment); and
- Welfare Entered Employment Rate (the proportion of adult welfare terminees who entered unsubsidized employment upon leaving the program).

For PY 1986-1987, DOL added "follow-up measures" for the Title II-A (adult) program to its existing set. Although the JTPA system was required to collect data for these "candidate measures," they did not become fully operational as part of national performance standards until PY 1988.[8]

The follow-up period was the 13 weeks after participants left the program, with emphasis placed on labor market experiences during the 13th week. Collecting information from the participants necessitated the use of a survey, which could be accomplished either by administering a questionnaire over the telephone or in person. If the participant could not be contacted by telephone, a mail survey could be used as a last resort.[9] Partly due to the expense involved in such surveys, DOL allowed States (and SDAs) to collect information on a sample of participants, rather than on all participants throughout the Program Year. A statistical procedure for determining minimum sample sizes was provided; minimum response rates were required; and a method was instituted to adjust, at least partially, for nonresponse biases in the survey.[10]

For the Title II-A (adult) program, the follow-up measures were:

- Follow-up Employment Rate (the proportion of adult respondents who were employed during the 13th week after program termination);

- Follow-up Weekly Earnings (the average gross weekly earnings of employed respondents during the 13th week after program termination);
- Follow-up Weeks Worked (the average number of weeks worked by respondents during the 13-week post-program period); and
- Welfare Follow-up Employment Rate (the proportion of adult welfare respondents who were employed during the 13th week after program termination).

These measures were, and still are, computed from separate random samples for adult terminees and adult welfare terminees. First, an "adult sample" for each SDA is drawn from the universe of its adult terminees. Second, a "supplemental welfare sample" is drawn to complete the minimum sample size required for adult welfare terminees.

For PY 1988-1989, national performance standards were set for all of the above eight measures. Combined with four measures for the Title II-A (youth) program, they formed a menu of twelve measures from which the Governors were required to select eight for applying the Secretary's standards. One of these eight had to be a "quality of placement" measure for adults (wage at placement or weekly earnings at follow-up). This cycle of performance standards was a transition period that enabled the JTPA system to shift to full reliance on follow-up measures of program effectiveness.

For the PY 1990-1991 cycle, DOL no longer used the four immediate outcomes measures in its performance standards system for Title II-A (adults). The focus shifted fully to participants' employment and earnings 13 weeks after they had left the program. Governors were required to use the following post-program measures:

- Follow-up Employment Rate;
- Follow-up Weekly Earnings;
- Welfare Follow-up Employment Rate;
- Welfare Follow-up Weekly Earnings.

This evolution of performance standards reflected the importance that policymakers placed on long-term effectiveness of JTPA's training programs. Policymakers were concerned that measures of participants' status at the time of their termination from the program had led the system to emphasize immediate placements at the expense of long-term gains in participants' employment and earnings. The shift to post-program standards was DOL's response:

> Postprogram data provide a more direct measure of long-term employability. The .... [postprogram] measures for adults and adult welfare recipients send an explicit policy signal that JTPA is a value-added program which generates long-term employment for its participants.[11]

TITLE III/EDWAA PROGRAMS

Performance measures for the Title III programs for dislocated workers have evolved in the same general direction as those for the Title II-A (adult) programs, but at a different pace. Several impediments have slowed the development of a fully developed performance standards system for the Title III programs: (1) wide variation among States in delivery systems, (2) lack of legislation related to rewards and sanctions based on performance, and (3) lack of appropriate data.

Implementation of Title III standards also has been affected greatly by the changes EDWAA brought to the delivery of services to dislocated workers as of PY 1989. Prior to EDWAA, dislocated worker programs were administered at the State level. Post-program information on Title III terminees was collected on a sample drawn from the universe of Title III terminees throughout the State.

As a result of EDWAA, administration of dislocated worker programs shifted more to the local level. Governors were required to establish sub-state areas within which Title III/EDWAA sub-state grantees and administrative entities were designated. The law gives automatic designation to sub-state areas of 200,000 people or more (the same criterion used for SDAs for Title II programs). In nearly all States the SDAs have been designated as the sub-state grantees and administrative entities for Title III/EDWAA programs.

For purposes of this chapter, the important point is that the accountability for performance shifted in large part from the State to the local level. Samples of Title III terminees were now to be drawn from each sub-state area rather than from the State as a whole. This greatly increased the data collection effort.

During the first performance standards cycle, PY 1984-1985, two candidate measures were developed for the Title III programs. They were comparable to those of Title II-A (adult) programs: Entered Employment Rate and Average Wage Rate at Placement.

During the next performance standards cycle, PY 1986-1987, DOL required States to collect data on these two candidate measures of performance. A national goal was set for the entered employment rate; however, no national standards were established at this time. Also beginning in PY 1986, DOL required data collection for Title III terminees on three post-program measures: Follow-up Employment Rate, Follow-up Weekly Earnings, and Follow-up Weeks Worked.

The follow-up information was collected for a sample of a State's Title III terminees, as mentioned earlier. Data collection procedures for Title III programs emulated those for the Title II-A (adult) programs, including sampling strategy, telephone survey method, minimum acceptable response rates, and adjustments for nonresponse bias. While adopting the survey approach for Title III performance standards, DOL recognized the potential usefulness of UI wage-record data:

> In part, the desire for additional data items and for longer-term, postprogram tracking might be more easily met for Title III terminees, compared to those from Title IIA, by linking to administrative records, especially UI claimant and UI wage records.[12]

However, DOL could not implement a national system of performance standards based on UI wage records, since many States did not have the required UI data at that time.

In PY 1989 (the middle of the PY 1988-89 cycle), two important developments occurred in the performance management system for dislocated worker programs. First, a national standard was set for the entered employment rate, which has continued into PY 1990-91. (In addition, DOL encouraged Governors to set a goal for the average wage rate at placement.) Second, due to EDWAA, the required collection of both the immediate outcomes and post-program outcomes data shifted to the sub-state areas, as indicated earlier.

Table 1 presents a summary of the evolution of JTPA performance measures. An entry of "D" denotes that DOL required data collection of the given measure during the designated program cycle but did not set a national standard. An entry of "S" denotes that DOL required data collection of the given measure and used it to establish a national standard, i.e., a numerical level for the measure which represented minimally acceptable performance.

TABLE 1
EVOLUTION OF JTPA PERFORMANCE MEASURES

"D" = Data Collection Required; "S" = National Standard Established

PERFORMANCE MEASURE	PROGRAM YEARS			
	84-85	86-87	88-89	90-91
Title II-A (Adult) Program				
Entered Employment Rate	S	S	S	D
Average Wage Rate at Placement	S	S	S	D
Cost per Entered Employment	S	S	S	D
Welfare Entered Employment Rate	S	S	S	D
Follow-up Employment Rate		D	S	S
Follow-up Weekly Earnings		D	S	S
Follow-up Weeks Worked		D	S	D
Welfare Follow-up Employment Rate		D	S	S
Welfare Follow-up Weekly Earnings		D	D	S
Title III/EDWAA Program(a)				
Entered Employment Rate(b)		D	S	S
Average Wage Rate at Placement		D	D	D
Follow-up Employment Rate		D	D	D
Follow-up Weekly Earnings(c)		D	D	D
Follow-up Weeks Worked		D	D	D

(a) As a result of EDWAA, program performance has been measured at the substate level since PY 1989.

(b) A standard became effective in PY 1989. From PY 1986-88, DOL had set a national goal, but not a standard, for the entered employment rate.

(c) For EDWAA, the average hourly wage rate of employed respondents during the 13th week is being collected.

Issues In Using The UI Wage-Record Data

By the end of the 1980s there was a confluence of events that led the National Commission for Employment Policy (NCEP) to ask if other data sources were available that could reasonably substitute for the telephone survey being used to track the employment and earnings of JTPA participants after they leave the program.

First, experience was showing that the telephone surveys for the Title II-A (adult) programs were expensive. Second, for the Title III/EDWAA programs the expense of telephone surveys had increased significantly due to the shift from State sample surveys to sub-state sample surveys. Funds for JTPA as a whole were not increasing, and funds for these surveys were coming from administrative dollars, for which there were many competing uses.

Third, as a result of the Deficit Reduction Act of 1984, effective September 1988, the employers in each State were required to submit quarterly wage reports to a State agency (which may be the agency administering the State's unemployment compensation law). Nearly all of the States were meeting this mandate through their UI wage reporting system. This data source had not been available when DOL developed its current approach to performance standards; but by 1988 (when the Commission began this project), it provided a promising alternative to the survey.

Fourth, policymakers had become increasingly concerned about the long-term effectiveness of JTPA's training services. The survey's 13th-week snapshot of employment and earnings provided useful but incomplete information.

At the outset of the Commission's project, the UI wage records appeared to offer several potential benefits relative to the survey. One was cost-effectiveness:

- Because the UI data were resident on State computer systems, they appeared to be less expensive for State JTPA programs to access than data newly gathered through telephone surveys, which are labor intensive.

Other potential benefits related to program management and evaluation:

- UI wage records could be used to track the employment and earnings of individuals over a substantially longer period than 13 weeks. This could provide more comprehensive measures of long-term program effectiveness.

- The employment and earnings outcomes of all JTPA terminees who obtained jobs covered by the UI system, rather than just a sample of terminees, could be examined.[13] This could permit SDAs to assess more accurately the performance of individual service providers, using the same yardstick that was being applied to them by the States under DOL guidelines.

- With UI data, evaluations of JTPA would (1) not depend upon a person's memory about his/her employment and earnings history and (2) not require planning and design phases, which can be both time-consuming and costly. These are drawbacks to both surveys and large-scale experiments.[14]

In order that the JTPA system could take advantage of these benefits, the Commission launched a multi-state examination of the feasibility of linking participants' records maintained by a State's JTPA system with the State's wage records stored in its UI system.[15] The project started with eleven States in 1988, and expanded to twenty States by 1991.

INITIAL FINDINGS

The Commission issued a report on its initial findings in 1991.[16] The report addressed several issues:

- the technical feasibility of linking the UI wage records of JTPA terminees with other data collected during their program participation;

- the administrative feasibility of linking these two data sources, including issues of confidentiality and data security;

- the content, quality, and applicability of the two data sources for performance standards purposes; and
- the costs of obtaining the two types of data.

The study's findings were based on integrated data from the eleven original States for PY 1986.

The study demonstrated that it is feasible for many States to accomplish the required linking of the JTPA and UI data. Thus, from a technical perspective, the UI data are an alternative to the current survey data for performance standards purposes.

The study also raised several issues that necessitated further examination. Some were related to the administrative feasibility of using UI wage records.

- Do State agencies have the capacity to forge and implement the needed data-sharing agreements?
- Do States have a way to assure that confidentiality of wage records is maintained when data are shared?
- What are the cost savings associated with the use of UI wage records?[17]
- Is it possible for the JTPA system to access the UI wage records in a manner that is timely in the context of States' need to reward (sanction) SDAs for their performance?[18]

Other issues concerned technical differences between the follow-up surveys and the UI wage records in measuring JTPA program performance. One reason for the differences was the presence of nonresponse biases in the survey. For example, respondents to the survey had higher post-program employment rates than those who were not surveyed. This produces an upwardly biased estimate of the employment effects of the training programs.

Another reason for differences between the two data sources was that some participants obtain jobs in States other than where they were trained. Because their earnings would be reported in another State, such individuals "look like" they are not employed according to the UI wage records in the State where they were trained. This produces a downwardly biased estimate of the employment effects of the training programs, especially for SDAs located near State borders.

ISSUES COVERED IN THIS REPORT

Based on the initial findings, the Commission determined that for the UI data to be useful to the JTPA system, a number of administrative and technical issues needed to be examined more closely. This, along with the growing interest by States in using the UI data for JTPA performance management, led the Commission to expand its project. This report contains the results of the new studies.

The key issues fall into four broad categories: (1) State administrative context, (2) data content and quality, (3) confidentiality and data access, and (4) application to performance management. Table 2 presents a summary, which is cross-referenced to the coming chapters.

Chapter II examines administrative aspects of linking the two data sources; it is based on information from a canvass of all States conducted by the National Governors' Association. Discussed are: (1) the extent to which the State agencies responsible for maintaining UI wage records have agreements to share these data with other agencies, JTPA-related or otherwise; (2) the staff resource and cost constraints and other barriers that impede the linking of the two data bases; (3) methods that States have developed to overcome these barriers and constraints; and (4) the potential cost savings associated with use of UI wage records. The chapter concludes with a comparison of the content and applicability of UI wage records and the current telephone surveys for purposes of program management and evaluation.

Chapter III focuses on the need to maintain the confidentiality of wage-record data when these data are used for non-UI purposes. It assesses the confidentiality provisions of States' unemployment compensation statutes and related administrative documents.

Chapter IV is a continuation of the Commission's technical feasibility study. It presents the findings from Phase II which covered fifteen States and Program Years 1986 and 1987. The chapter analyzes nonresponse biases in the follow-up survey and coverage problems in the UI data. It also uses the UI data to track the labor market experiences of JTPA terminees in the first two years after they left the program.

Findings from these studies were reviewed and discussed at a Commission Workshop, "Using Unemployment Insurance Wage-Record Data for JTPA Performance Management," held in Alexandria, Virginia on September 5-6, 1991. (Appendix I.A contains the workshop agenda and list of participants.) The comments and suggestions from the participants at the workshop have been incorporated into the current chapters.

TABLE 2
KEY ISSUES IN USING UI WAGE-RECORD DATA FOR JTPA PERFORMANCE MANAGEMENT

State Administrative Context (Chapter II)

1. Current uses of State UI data by JTPA and other programs
2. Location of JTPA and UI agencies within State structure
3. Centralized vs. decentralized systems of JTPA follow-up

Data Content and Quality (Chapters II,IV)

1. UI coverage of jobs and participants
2. Slippage due to out-of-state employment
3. Items not included in UI wage records
4. Data validity, accuracy, consistency
5. Match rates of UI and JTPA records

Confidentiality and Data Access (Chapters II,III,IV)

1. Confidentiality and data security
2. State capacity to perform record linkages
3. Developmental and continuing costs
4. Data Sharing Agreements

Application to Performance Management (Chapters II,IV)

1. Timeliness with regard to rewards and sanctions
2. Equity of performance standards between States
3. Equity of performance standards within State
4. Relation to program management at SDA level
5. Technical assistance needs

COST SAVINGS

At the workshop, further questions arose with regard to the cost savings associated with use of UI wage records, discussed in the Commission's first report on the project (cited earlier) and Chapter II of this report. The State representatives reported wide variations in these potential savings. As a result, with the assistance of the States, the Commission undertook a further analysis of potential savings in administrative costs associated with the use of UI wage records.

Table 3 gives an overview of the results based on nineteen States for PY 1990. It shows (1) the actual average annual costs of the follow-up survey for JTPA Title II-A (adult) and Title III programs combined; (2) the estimated average annual costs of using UI wage records, and (3) the estimated average annual savings associated with replacing the survey data with UI wage-record data. It also shows the States' minimum and maximum values for these categories of costs and savings.

The data in Table 3 confirm the potential size of the annual savings associated with use of UI wage records rather than telephone surveys: an average of $102,000 for the nineteen States involved in this analysis. The data also confirm the wide range across States in potential savings: from $4,500 to $300,000 annually. Appendix I.B discusses possible reasons for this variation: differences among States in the size of their JTPA program, in their survey response rates, in the entity conducting the survey, and in the scope of the survey.

In conclusion, the UI wage-record data offer substantial cost savings to the JTPA system as well as other benefits in managing program performance. The next three chapters provide detailed discussions of the administrative and technical issues involved in taking advantage of this data resource.

TABLE 3
ESTIMATED ANNUAL COSTS AND SAVINGS PER STATE:
Telephone Surveys Versus UI Wage Records

Cost/Savings Category	Average	Minimum	Maximum
Cost of Titles II-A & III Follow-up Survey	$125,320	$8,347	$371,450
Estimated Cost of Using UI Wage Records (a)	$ 23,290	$1,292	$ 77,692
Potential Savings Associated with Replacing Survey with UI Wage Records (b)	$102,030	$4,571	$301,872

(a)Estimated cost equals total number of a State's PY 1990 terminees multiplied by $2.00. See Chapter II for development of this $2.00 benchmark.

(b)Estimated saving equals the difference between each State's actual cost of using the survey and estimated cost of using the UI wage-record approach.

Endnotes to Chapter I

1. In August 1988 Title III was amended by the Economic Dislocation and Worker Adjustment Assistance (EDWAA) Act. The Act, which became fully operational on July 1, 1989, significantly altered the delivery system for dislocated worker programs. As a result, Title III programs have become known as "EDWAA programs."

2. JTPA, Section 106 (b)(1). Because UI wage records are not being proposed for use in performance standards for Title II-A (youth) programs, these standards are not discussed in this report.

3. JTPA, Section 106 (b)(3). As discussed in the subsequent chapters of this report, the States' UI systems are a promising source of "earnings records" for JTPA purposes.

4. For a more detailed discussion, see SRI, JTPA Performance Standards: Effects on Clients, Services and Costs, National Commission for Employment Policy, Washington, D.C., Research Report Number 88-16, September 1988.

5. Although not mandated to do so, the U.S. Department of Labor (DOL) also has developed a multiple regression methodology which States may use to adjust their SDAs' standards for variations in local client mixes and economic conditions.

6. A Program Year begins July 1 and ends June 30.

7. States have latitude in the way they structure their system of incentive awards and sanctions. For a discussion of various ways States have handled, and can handle, their incentive awards system, see SRI, Developing Effective JTPA Performance Standards Incentive Policies: A Technical Assistance Guide, National Commission for Employment Policy, Washington, D.C., Research Report Number 89-07, March 1990.

8. U.S. Department of Labor, Employment and Training Administration, Follow-up Technical Assistance Guide for PostProgram Data Collection Under the Job Training Partnership Act, Version 3.0, Washington, D.C., June 1986.

9. In some States the surveys are conducted at the State level, either by staff or by outside contractors; in other States, the SDAs are responsible for conducting the surveys.

10. Minimum response rates of 70% were required for four of the following six groups: adults employed at termination; adults not employed at termination; adult welfare recipients employed at termination; adult welfare recipients not employed at termination; dislocated workers employed at termination; and dislocated workers not employed at termination. These requirements applied to each SDA for the Title II-A program, and to each State for the Title III program. See U.S. Department of Labor, Follow-up Technical Assistance Guide, June 1986, p. 41.

11. Federal Register, Vol. 55, No. 4, January 5, 1990, p. 515.

12. U.S. Department of Labor, Follow-up Technical Assistance Guide, June 1986, p. 61.

13. The vast majority of jobs are covered by the UI wage-record system. Exceptions include self-employed workers, workers on small farms, some domestic workers, federal civilian and military employees, railroad employees, and employees of religious organizations. See the

discussion in John Baj and Charles E. Trott, A Feasibility Study of the Use of Unemployment Insurance Wage-Record Data as an Evaluation Tool for JTPA: Report on Project's Phase I Activities, National Commission for Employment Policy, Washington, D.C., Research Report Number 90-02, January 1991, pp. 8-10.

14. DOL is conducting a large-scale experiment designed to evaluate the net impact of JTPA through a comparison of the employment and earnings outcomes of selected groups of JTPA participants with the employment and earnings of randomly selected control groups; see Fred Doolittle and Linda Traeger, "Implementing the National JTPA Study," Manpower Demonstration Research Corporation, April 1990. NCEP is sponsoring a study by William Bowman which is testing the feasibility of using State UI and Job Service records in a non-experimental approach to estimating the net impact of JTPA training activities; findings are anticipated in Summer 1992. A survey of State evaluation efforts is presented in "JTPA State Evaluation Reports," In Brief, National Governors' Association, Washington, D.C., July 23, 1990; for example, see James S. Hanna and Zina Turney, "The Net Impact of the Nevada JTPA Title II Program," Nevada Job Training Office, February 1988.

15. Around the same time, DOL sponsored a meeting to discuss a national approach to archiving UI wage records for purposes of general labor market analysis and program evaluation. The proceedings were published in The Feasibility of a National Wage Record Database, Northeast-Midwest Institute, Washington, D.C., 1989; two contributors to this volume noted the potential application of these UI data to performance standards (see Christopher King, p. 7, and John Bishop, pp. 18-21). NCEP's approach centers the database development at the State, rather than the national, level.

16. John Baj and Charles E. Trott, A Feasibility Study of the Use of Unemployment Insurance Wage-Record Data as an Evaluation Tool for JTPA: Report on Project's Phase I Activities, National Commission for Employment Policy, Washington, D.C., Research Report Number 90-02, January 1991.

17. No State [in the initial study] estimated that it would cost more than $10,000 per year to access UI data for new terminees and to update existing files with additional quarters of post-program data. The estimated costs of collecting the post-program survey data are much higher, as discussed in the last section of this chapter and also Chapter II.

18. Under the current performance standards system, outcomes data for four consecutive quarters need to be available to State JTPA agencies just after the end of a Program Year, for the States to reward SDA performance on a timely basis. In order to meet this deadline while still including four quarters' worth of outcomes under the 13th-week survey approach, the system uses a "Follow-up Year" to determine SDA performance: the first three quarters of the most recent Program Year and the fourth quarter of the previous one. Use of the UI data might require a different definition of the "Follow-up Year."

APPENDIX I.A

Workshop Agenda And List Of Participants

AGENDA

USING UNEMPLOYMENT INSURANCE WAGE-RECORD DATA FOR JTPA PERFORMANCE MANAGEMENT

Embassy Suites Hotel, Alexandria, Virginia

September 5, 1991

Presentation and Group Discussion of Research Findings

TIME	TOPIC	PANELISTS
9:00 - 9:30	Opening Remarks	John Gartland, Chair, and Barbara McQuown, Director, National Commission for Employment Policy
9:30 - 10:30	Canvass of the States	Lorraine Amico and Jose Figueroa, National Governors' Association
		Jim Hanna, State of Nevada, and Tim Harmon, State of Illinois
10:30 - 10:45	Coffee Break	
10:45 - 12:00	Canvass of the States	Group Discussion
12:00 - 1:00	Buffet Luncheon	
1:00 - 2:30	Confidentiality Study	David Stevens, University of Baltimore
		Mike Dall, State of South Carolina, and Ron Stewart, State of Oregon
		Group Discussion
2:30 - 3:30	Feasibility Study	John Baj, Sean Fahey and Pete Trott, Northern Illinois University
		Douglass Jex, State of Utah, Patrik Madaris, State of Indiana, and Sandy Owens, State of Missouri
3:30 - 3:45	Coffee Break	
3:45 - 5:00	Feasibility Study	Group Discussion

September 6, 1991

Executive Session of State Representatives Workgroup

TIME	TOPIC	PANELISTS
9:00 - 9:30	Summary of Issues	Vince Geraci, National Commission for Employment Policy
9:30 - 10:30	Assessment of Issues	Group Discussion
10:30 - 10:45	Coffee Break	
10:45 - 11:45	Recommendations	Group Discussion
11:45 - 12:00	Closing Remarks	John Gartland, Chair, National Commission for Employment Policy

USING UMEMPLOYMENT INSURANCE WAGE-RECORD DATA FOR JTPA PERFORMANCE MANAGEMENT

Embassy Suites Hotel
Alexandria, Virginia
September 5 & 6, 1991

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APPENDIX I.B

Costs Of Follow-up Surveys Versus UI Wage Records For Tracking Post-program Outcomes Under JTPA

Costs Of Follow-up Surveys Versus UI Wage Records For Tracking Post-program Outcomes Under JTPA

Introduction

A major reason for switching to UI wage records is the savings in administrative costs that would accrue to the JTPA system. The cost of the follow-up survey for Title II-A (adults) and Title III/EDWAA is approximately $19 per completed interview; in contrast, the estimated cost of using UI data for these two programs is approximately $2 per program terminee.[1] For the JTPA system as a whole, the amount expended for the survey is about $3.1 million; with UI wage records, the amount expended would be about $1.2 million.[2] Thus, according to these estimates, the JTPA system could reap annual savings in the neighborhood of $2 million dollars by switching to UI wage records in place of the current surveys. These substantial savings in administrative costs could be used for other programmatic purposes.

This appendix presents additional findings on the potential cost savings of using UI wage records instead of the current surveys for Title II-A (adult) and Title III/EDWAA programs. The wide variation of cost savings among States is documented, and possible reasons for this variation are explored.

The data used in the analysis cover Program Year (PY) 1990. They were requested from the twenty States participating in the Commission's project. Nineteen of the States were able to provide the necessary information.[3] Given the wide variation in cost savings across these States, the following analysis should be regarded only as suggestive of the national experience.

Table B.1 presents the actual average annual costs of the follow-up survey for JTPA Title II-A (adults) and Title III/EDWAA combined, the estimated average annual costs of using UI wage records for these programs, and the estimated average annual savings associated with replacing the survey data with UI wage-record data. It also shows the States' minimum and maximum values for these categories of costs and savings.

The average annual cost of using follow-up surveys for Title II-A (adults) and Title III/EDWAA participants is $125,320. By comparison, the average annual cost of using UI data for follow-up purposes is $23,290. This yields an estimated average annual saving of $102,000 per State participating in the Commission's project. Projections of this estimate to States not in the Commission's project should be resisted, given the wide variation among States.[4]

TABLE B.1
ANNUAL COSTS AND SAVINGS PER STATE

Cost/Savings Category	Average	Minimum	Maximum
Cost of Titles II-A & III Follow-up Survey	$125,320	$8,347	$371,450
Cost per Completed Interview	$26.37	$5.99(a)	$69.90(b)
Estimated Cost of Using UI Wage Records(c)	$23,290	$1,292	$77,692
Potential Savings Associated with Replacing Survey with UI Wage Records (d)	$102,030	$4,571	$301,872

(a)This minimum value is an underestimate of the survey cost. This State, which conducted the survey in-house, was not able to provide the overhead costs (including telephone charges) involved.
(b)This maximum value is an overestimate of the survey cost. This State, which conducted the survey through an outside contract, was not able to separate analytical costs from survey costs. This bundling of costs, which tends to overstate the potential cost savings of replacing the survey, occurs for eight of the nineteen responding States.
(c)Estimated cost equals total number of a State's PY 1990 terminees multiplied by $2.00.
(d)Estimated saving equals the difference between each State's actual cost of using the survey and estimated cost of using the UI wage-record approach.

Determinants Of Survey Costs

This section discusses four reasons why States may differ in the cost per completed survey interview. They are: (1) the size of their JTPA program, (2) the achieved response rate to the survey (3) the entity selected to conduct the survey, and (4) the scope of the survey (for example, the inclusion of analytical services).

SIZE OF STATE

It was hypothesized that the cost per completed interview would be higher for small States than for large States because surveys have fixed costs, regardless of the number of participants to be interviewed. The fewer the number of persons interviewed, the fewer the number of persons over whom these fixed costs could be spread.

To examine whether costs per completed interview varied systematically by State size, the sample States were ranked according to the total number of Title II-A and Title III/EDWAA terminees in PY 1990. States were classified as:

- "Large" if they had more than 10,000 terminees;
- "Medium" if they had 5,000 - 10,000 terminees; and
- "Small" if they had fewer than 5,000 terminees.

Table B.2 shows both average annual cost and average annual cost per completed interview for the three size categories of States. While large States have higher average annual costs, small States have higher average costs per completed interview. Small States averaged $35.97 per completed interview while large States averaged $19.58. (Medium size States were in the middle at $27.40 per completed interview.) From this perspective, the cost advantages of the UI wage-record approach are considerable for small as well as large States.

While the differences in costs among the three categories of States are sizeable, they are not statistically significant. This lack of significance is due to the small number of States and wide range of costs per completed interview across States within each of the different size categories. This important caveat applies as well to the other cost differences reported below.

RESPONSE RATES

A second hypothesis was that the cost per completed interview would eventually rise with increases in the response rate sought by the State. High response rates are more costly to achieve because numerous call-backs may be required to make successful contact with harder-to-reach terminees (for example, those who can only be reached through friends or relatives).

TABLE B.2
AVERAGE ANNUAL TOTAL COST AND COST PER COMPLETED INTERVIEW BY SIZE OF STATE

Size of State Program(a)	Average Annual Total Cost	Average Cost Per Completed Interview
Large (N=8)	$196,806	$19.58
Medium (N=6)	$102,455	$27.41
Small (N=5)	$ 38,380	$35.97

(a)"N= " indicates the number of States in the category.

To test this hypothesis, States were ranked according to their PY 1990 response rate. Response rates were classified as:

- "High" if more than 80% of the interviews were completed;
- "Moderate" if between 75% and 80% of the interviews were completed; and
- "Low" if less than 75% of the interviews were completed.

The U.S. Department of Labor (DOL) requires a minimum response rate of 70%. However, despite considerable effort by the JTPA system, many SDAs do not reach this goal. For example, in PY 1987, over 40% of all SDAs had response rates below the 70% minimum.[5]

Table B.3 shows the average cost per completed interview for the nineteen States grouped according to their level of response rates. In contrast to expectations, States with the highest response rates also had the lowest cost per completed interview. Conversely, States with the lowest response rates had the highest cost per completed interview.

In retrospect, this contrary finding may be reconciled in two ways. First, while efforts to achieve high response rates may be costly within a given State, differences in response rates across States may not explain differences in costs across States given that other factors are at work. Second, States may accept low response rates because their average costs per completed interview are high; in other words, high survey costs may cause low response rates. For such States, the UI wage-record approach is all the more attractive.

TABLE B.3
COST PER COMPLETED INTERVIEW BY STATES' RESPONSE RATES (a)

Category of Response Rate (b)	Average Cost per Completed Interview
High Response Rate (N=4)	$18.44
Moderate Response Rate (N=8)	$24.36
Low Response Rate (N=7)	$33.19

(a)The average response rate for the 19 States combined was 76%.
(b)"N= " indicates the number of States in the category.

ENTITY CONDUCTING FOLLOW-UP SURVEY

A third hypothesis was that the cost of the follow-up survey depends upon the entity conducting it. Specifically, due to economies of scale, lower costs would be associated with a survey that is centralized at the State level rather than decentralized at the SDA level. Lower costs could also be associated with a survey that is conducted "in-house" rather than by an outside contractor.

Table B.4 shows cost per completed interview by the entity conducting the follow-up survey. These data suggest that surveys conducted at the SDA level are more expensive than those conducted at the State level. This indicates that States with a decentralized follow-up system could obtain relatively large cost savings by using the UI wage-record approach.

The survey is potentially less expensive when conducted in-house. However, the number of States in this category (N=2) is far too small to permit generalizations. In addition, these two States collected the minimum amount of information, and they included no analytical costs in their estimates. [See also Note (b) of Table B.4.] This highly tentative finding is reported for completeness, but no conclusions should be drawn from it.

TABLE B.4
COST PER COMPLETED INTERVIEW BY ENTITY CONDUCTING THE SURVEY

Entity Conducting Survey (a)	Average Cost per Completed Interview
State-Level	
In-House (N=2)	$6.92(b)
Outside Contractor (N=13)	$26.23
SDA-Level (N=4)	$36.52

(a) "N" indicates the number of States in the category.
(b)One of these two States was not able to provide the overhead costs associated with the survey, as indicated in Note (a) of Table B.1. More generally, in-house cost estimates may be biased downward due to inadvertent omission of certain overhead costs. The other State has an exemplary survey operation, which includes the use of a Watts line to keep costs low.

SCOPE OF SURVEY

The final hypothesis was that the scope of the survey would influence the average cost per completed interview. A survey could be more or less expensive depending upon (1) the number of questions asked, (2) the groups of terminees covered, and/or (3) the inclusion of costs for analytical services in an outside contract.

Table B.5 shows the average annual survey cost for the nineteen States by whether or not the cost includes (1) data analysis as well as data collection, (2) additional questions in the survey beyond those required by DOL and (3) more groups of terminees than those required by DOL.

This information indicates that analytical costs may be a substantial component of a State's survey costs. The average cost per completed interview was $32.80 for the eight States that included analytical costs in their estimates; it was $21.69 for the eleven States that did not include analytical costs. These findings support the NCEP's recommendation that in order to reap the full benefits of savings from the use of UI wage records, small and/or neighboring States may wish to develop a regional consortium to handle analysis of the outcomes data for performance management and evaluation.

By comparison, inclusion in the survey of either additional questions or more terminee groups appears to have little effect on the cost per completed interview. The difference in average cost per completed interview was about $2.00 between States that did, and did not, have either additional questions or additional terminee groups in the survey.

TABLE B.5
AVERAGE ANNUAL COST PER COMPLETED INTERVIEW BY SCOPE OF SURVEY

Scope of Survey (a)	Average Annual Cost Per Completed Interview
Cost of Survey:	
Includes Analysis (N=8)	$32.80
Does Not Include Analysis (N=11)	$21.69
Survey Includes:	
More Questions than Required (N=16)	$25.99
No Additional Questions (N=3)	$28.39
Survey Covers:	
More Groups than Required (N=8)	$27.10
No Additional Groups (N=11)	$25.83

(a) "N= " indicates the number of States in the category.

WHO BENEFITS FROM THE SAVINGS?

States finance the follow-up survey in many ways. The different methods were combined into three categories: (1) States in which the survey was financed entirely by State-level JTPA funds, (2) States in which the survey was financed entirely by SDA-level funds, and (3) States in which the financing was accomplished through a combination of State-level and SDA-level funds. The numbers of States falling into these categories were eight, seven, and four, respectively. In conclusion, the distribution of the potential savings in administrative costs from using the UI wage records in place of the current telephone survey is likely to vary considerably across States.

Endnotes To Appendix I.B

1. The sources of these estimates of unit cost are: John Baj and Charles E. Trott, A Feasibility Study of the Use of Unemployment Insurance Wage-Record Data as an Evaluation Tool for JTPA: Report on Project's Phase I Activities, National Commission for Employment Policy, Washington, D.C., Research Report Number 90-02, January 1991; and Chapter II of this report. These cost estimates were discussed, and generally agreed upon, at a Commission-sponsored workshop on September 9-10, 1991. The workshop participants included representatives from seventeen of the twenty States that have been participating in this Commission project.

2. The source of these cost estimates is Chapter II of this report.

3. The responding States were: California, Florida, Georgia, Illinois, Idaho, Indiana, Kentucky, Maryland, Missouri, New Hampshire, Nevada, Oregon, Pennsylvania, South Carolina, South Dakota, Texas, Utah, Virginia, and Washington. Arizona was not able to provide the cost data because of the decentralized nature of its follow-up system.

4. Also, this average is influenced heavily by a few high values reflecting unusual state experiences. The median saving, a more robust statistic for such a small sample, is $81,349.

5. Richard W. West, Katherine P. Dickinson and Catherine M. Casserly, Performance Standards '89: Managing Quality Programs, Follow-up Training Materials, Menlo Park, California: SRI International, 1989. However, DOL has informed NCEP that the response rates have improved markedly since PY 1987. Recent estimates indicate that only 20% of all SDAs had response rates below 70% in PY 1990.

CHAPTER II

State Capacity To Share Wage Records: The JTPA Experience

■ ACKNOWLEDGEMENTS

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CHAPTER II
State Capacity To Share Wage Records: The JTPA Experience

Background

Increasing concern with the accountability of federally funded programs has resulted in increasing emphasis on performance-based systems. Title II-A of the Job Training Partnership Act (JTPA) has a highly developed performance-based system in which national performance standards play a key role. These standards have evolved steadily over time. When JTPA was implemented in 1983, adult and youth programs were evaluated at the time the participants left the program. Measures of employment and wages were used for both adults and youth; in addition, other positive nonemployment outcomes were used for youth.

In Program Year (PY) 1988, the U.S. Department of Labor (U.S. DOL) included four adult post-program measures in its set of performance standards. States and local areas were required to obtain post-program data through direct contact with the program participants. The data were collected by telephone survey in the 13th week after participants terminated from the program. By PY 1990, the adult outcome measures obtained at the point of termination were eliminated in favor of the post-program measures obtained from the survey.

The use of databases external to JTPA, such the States' Unemployment Insurance (UI) wage records, has been proposed as an alternative method for collecting post-program data on former participants. Numerous State agencies have shared the wage records under various conditions for such purposes as research, accountability and law enforcement.

The use of these records for JTPA performance standards has the potential for solving a number of data collection problems the States have encountered. These include the difficulty of meeting federally required response rates for the telephone survey, cost constraints of the post-program data collection, and concerns about data accuracy. However, as discussed in Chapter I, a number of administrative and technical issues have to be resolved in order to take full advantage of these wage data.

In 1988, when post-program measures were included in national performance standards under JTPA, the National Commission for Employment Policy (NCEP) initiated a project to examine the issues involved in using the States' wage-record data to assess the effectiveness of JTPA programs. The NCEP invited all States to apply for participation in the project, and twenty-seven States expressed interest. Eleven States were selected on the basis of their having adequate data on JTPA services provided to JTPA terminees during PY 1986, and their ability to access UI wage records on the employment experiences of these terminees both before and after they participated in the program.[1] The project was later expanded; Phase II added four States and Phase III, five more States. In all, twenty States have participated in NCEP's project.

Results of a survey conducted in 1989 by the Center for Policy Research of the National Governors' Association (NGA) revealed that NCEP's project had been instrumental in assisting the original eleven participating States to make greater use of these data.[2] However, the survey responses also showed that wage-record data were being used to a relatively limited extent despite improvements in them during the 1980s, which had widened their potential applicability for statistical purposes. The limited applications of wage-record data for JTPA program management and evaluation as of 1989 were most likely related to several long-standing issues regarding interagency and interstate data sharing. These issues are taken up in the present study.

Two key factors have raised States' interest in using their wage-record data for accountability purposes in JTPA and other employment and training programs. The first is the availability of quarterly wage data in all States. Prior to 1984, about three-fourths of the States were collecting these data for purposes of administering their UI benefit programs. However, the Deficit Reduction Act of 1984, effective September 1988, required *all* States to collect information on individual earnings for purposes of detecting fraud and abuse in federally funded programs. In response, all States now collect quarterly wage data, either in the State Employment Security Agency (SESA) or in another department, such as Revenue or Taxation.

While the wage record systems of the States have emerged over the past few years as a powerful tool for purposes of program management, research and evaluation; the sole purpose for Congressional funding for SESAs to collect the wage-record data is administration of the UI program. States that have devoted considerable resources to expand and improve the quality of the UI data, particularly about business establishments, have stimulated the interest of non-UI agencies in the use of these data for statistical purposes. These external applications, however, are often viewed by SESAs as non-essential, time consuming and disruptive to UI administrative processes.

The second key factor is the rapid rate of technical progress in information processing. Evolving computer technology has encouraged a shift to the maintainence of micro data rather than aggregate data. In addition, new transmission media will allow future data to be available more readily than today's capabilities allow.[3] Such technical progress has created an environment for improved access to secondary data sources, such as the administrative records of other agencies.

The potential for ready technical access to administrative records has increased the need to achieve a balance between protecting confidential data and allowing reasonable access through data sharing agreements. The confidentiality issue has evoked more concern among data producers and users than any other single issue. Confidentiality provisions restrict access to UI data in certain areas but do not preclude all uses of the data. The scope of access to these data, and the specification of needed safeguards, have been subject to considerable debate over the years.

In 1990, NCEP sponsored the NGA Center for Policy Research to examine the confidentiality and other issues involved in the potential use of UI wage records for accountability purposes within the JTPA program. In addition, the Office of Adult and Vocational Education in the U.S. Department of Education and the National Occupational Information Coordinating Committee are co-sponsoring the NGA to conduct a companion study to examine data sharing arrangements between wage record offices and vocational education offices. A report on this further work will be issued in early 1992.

The JTPA part of the study had three goals:

- to document current uses of UI wage records by State JTPA and other State agencies;

- to determine all States' capacity for linking wage-record data with JTPA program data based on the characteristics of the two data sets; and
- to examine State organizational, legal and financial factors that enhance and those that limit the uses of wage-record data by JTPA.

These goals provided a framework for collecting information from all States. A federal/State advisory committee (included in the Acknowledgements) was instrumental in designing the study.

A canvass of State JTPA administrators was conducted in April 1991 to document States' current data-sharing activities and management information system (MIS) capabilities. A parallel canvass of SESA administrators was conducted to determine wage record agencies' ability to respond to data sharing requests. Separate canvass instruments were designed to collect the needed information from the two agencies.

The two instruments were sent to the fifty States, the District of Columbia, Puerto Rico, and the Virgin Islands. Thirty-six States responded to both the JTPA and wage record instruments; six, to the JTPA instrument alone; and eleven, to the wage record instrument alone. Thus, forty-two States (representing approximately 96% of JTPA's Title II-A funds in PY 1991) responded to the JTPA canvass, and forty-seven States responded to the wage record canvass. In addition, twenty States submitted samples of data sharing agreements. These exceptional response rates by the States provided a firm basis for the study. Appendix II.A contains a state by state list of the respondents.

This chapter presents the findings from the canvass. It is organized as follows. The wage-record reporting system is described in the next section. Then, the States' data sharing experiences are documented, and the issue of confidentiality is discussed. This is followed by an examination of several other key issues involved in data sharing, such as costs and data accuracy. In the last section of the chapter, NGA's conclusions and recommendations are presented.

Description Of Wage Record Reporting System

STATE ADMINISTRATION

Under State Unemployment Insurance (UI) statutes, the State Employment Security Agencies (SESAs) have flexibility in how they administer the UI program. While many State laws are similar, having been adapted from model language, key differences exist in the types of employers, employees and wages/benefits that are "covered" for UI purposes. Coverage provisions define the groups of employers who are liable to pay State UI taxes, the groups of employees who can accrue earnings to qualify for UI benefits, and the types of earnings that are allowable for accrual. Agricultural and domestic service employers are examples of groups for whom coverage policies differ across States. Independent contractors, the self employed, and military and federal government employees also have different coverage provisions across the States.

To administer the State Unemployment Insurance program, SESAs collect quarterly tax and wage information from employers covered in their State. The data collection is funded from specific Congressional appropriations for use in administering the UI program. The federal government (Internal Revenue Service) collects tax and wage information directly from employers for federal UI tax purposes under the Federal Unemployment Tax Act (FUTA) of 1937.

All States require covered employers to report total quarterly covered earnings within a specified period of time. Beyond that, the States have flexibility in how they document each employee's earnings and how they establish a reporting system. Differences in the reporting systems across States include the selection of data elements to be collected, data collection techniques, requirements for data retention, establishment and application of confidentiality provisions to release and share data, the data processing environment, and the general administration of the data.

For example, SESAs have the option to document employees' earnings through "wage reporting" or "wage request" procedures in order to establish monetary entitlement to unemployment insurance and payment of unemployment benefits. The wage request process requires employers to submit wage information on a case-by-case basis when it is necessary to process an unemployment insurance claim. Wage reporting requires employers to submit all employees' earnings data quarterly, whether or not a claim has been filed.

The Deficit Reduction Act of 1984 required the vast majority of employers in all States to submit quarterly information on employee earnings. As mentioned earlier, this was done primarily for purposes of detecting fraud in needs-based federal programs. In most States the DEFRA requirement was met by the wage reporting procedures described above. All States had a wage reporting system by 1988. In Michigan, while the SESA maintains a wage file for fraud detection purposes as required under the Federal Income and Eligibility Verification System (IEVS), the wage request process continues to be used to administer the UI program.

In New York and Massachusetts, the UI program continues to use the wage request process for UI eligibility and claims determination. In New York State, the wage reporting system is administered by the Department of Taxation and Finance; in Massachusetts, by the Revenue Department. Michigan and Massachusetts have been considering a conversion to the wage reporting process for UI administration, but it is unclear as to when, if at all, this would occur.

The administrative arrangement concerning the agency responsible for collection and maintenance of the wage records in and of itself appears to have little impact on data sharing activities. All States and territories except Puerto Rico responding to the NGA wage record canvass, including Michigan and New York, currently share wage-record data with at least one other entity. For example, in New York State, in addition to the Internal Revenue Service, information is released to the Departments of Social Services and Labor under data-sharing agreements. In turn, these two agencies have agreements with authorized users.

The entity legally responsible for entering into data sharing agreements is the SESA administrative office, the legal office and the UI administrative office in twenty-one, seventeen and twenty States respectively. In four States the Labor Market Information (LMI) agency is responsible, and in twelve States a disclosure unit is responsible.

In thirty-one States the SESA data processing unit, and in thirteen States the UI agency, is responsible for conducting computerized data matches. Four States conduct computer matches in a central data processing facility, and in one State the LMI unit performs the match.

The wage record agencies spent an average of 2.3% of their total computer processing time (CPU) to conduct data matching requests. The least time spent on data matching was .05%, and the most was 10%. Several SESAs reported that they were operating computers at their maximum capacity or close to it. The processing of increased number of claims during the current recession is not the major reason for this high utilization rate. Rather, the strains on the agencies' computer resources reflect their growing administrative workloads, coupled with continuing budget limitations, that have precluded or postponed the upgrading of computer technology necessary to meet current processing needs.

WAGE-RECORD DATA CONTENT

In each State the wage record system, and the information collected, reflect the administrative needs of the UI agency as reflected in the provisions of the agency's statute. Although State wage record systems differ in the data items collected from employers, the following are generally collected and maintained: individual employer information (name, ownership, address, federal identification number, State UI account number, total monthly employment, total quarterly wages and tax contributions) and individual employee information (name, social security number and total quarterly wages).

In the three wage request States, employer identification information, total monthly employment, total wages, total taxable wages and tax contributions are collected for UI administrative purposes. In these States, individual employee wage information is collected by the UI agency only when it is necessary to process an unemployment insurance claim.

All forty-seven States responding to the NGA canvass of SESA Administrators indicated that they collect the covered employee's social security number and their total quarterly wages. In Michigan and New York, the wage record system contains the same two minimum data elements. (Massachusetts did not respond to the canvass.) Table 1 contains a detailed breakdown of the information reported under each system.

TABLE 1
DATA ELEMENTS AVAILABLE FROM WAGE RECORDS

Data Elements	Collected* (# of States)	Typically Shared** (# of States)
Employee Name	41	28
Social Security Number	47	29
Quarterly Wages	47	39
Number of Hours Worked	1	1
Number of Weeks Worked	7	5
Employee Gender	8	7
Legal Name of Business	44	29
"Doing Business As" Name	44	21
Business Address	42	27
Work Location	24	11
State ID Number	41	13
Federal ID Number	42	14
Employer SIC Code	38	20
Other Data Elements	10	5

* Total number of responding States is 47.
** Shared with other agencies within the State and other requesting entities.

Employer identification information is the next most commonly collected element. Forty-four States collect the name of the business, including the legal and the "doing-business-as" names. Forty-two States collect the address of the business. Michigan and New York collect these items as well.

Of the forty-seven States responding to the wage record canvass, only one State collects hours worked, and seven States collect weeks worked.[4] Employee gender is collected in eight States.[5]

Thus, for purposes of using wage records for JTPA performance standards, the employee's identifier (social security number) and their total quarterly wages are the two data items maintained by all responding States. The wage-record data would indicate whether or not JTPA terminees were employed in covered jobs during a quarter and the amount of their quarterly covered wages. If additional data on JTPA terminees were required, such as the industry of the employer or other descriptive items, different data files would have to be accessed and different procedures would be needed to acquire the data.

State Data Sharing Experiences

DATA SHARING IN HUMAN RESOURCE AGENCIES

With various agencies' competing needs to reduce data collection costs and paperwork burden and also have a timely and accurate database, administrative data sharing has been increasingly viewed as an alternative methodology to post-program data collection directly from participants through the telephone survey approach.

There are a number of questions concerning data sharing agreements. (Two illustrative agreements are provided in Appendix II.B, and potential provisions are listed in Table 5 below.) What is the capacity of all States to enter into data sharing agreements? Are the States with agreements for JTPA's use of wage records more advanced or in a better position to share data than other States? More specifically, which agency within a State is empowered to enter into agreements? What capabilities are necessary for each entity participating in the agreement? What barriers limit access to the UI data?

Because of the confidential nature of wage records, their release typically involves an agreement between the data collection agency and the receiving entity. The language in the agreements varies from state to state, but generally includes some basic provisions concerning what data will be shared, for what purposes, and with whom. (The next chapter of this report provides documentation and discussion of the various State laws covering confidentiality along with administrative documents guiding their implementation.) For the most part, the agreements assure that the integrity of the information will be maintained and that individually identifiable data will not be redisclosed.

Efforts to exchange data have been undertaken for a number of years and under a variety of conditions. In recent years, with increasing emphasis on accountability in federal programs, the number of data sharing arrangements has been increasing. The NGA canvass indicates that the number of agreements has increased by 50% or more in thirty-three States during the past five years. No responding State reported a decline in the number of agreements. When asked if a 25% increase in the number of data sharing agreements could be met, thirty-six States answered yes if sufficient funds were provided. Eight States indicated they could not meet such an increase.

The number of data sharing agreements for the responding States was seventeen on average. As discussed below, the range of agreements per state is from one to 104 agreements. Data sharing agreements have been made with all levels of government, other States, universities, research entities and with private sector entities. For example, thirty-six wage record agencies responding to the canvass have agreements with a federal agency.

Overall, because of federal requirements, forty-three wage record agencies have a data sharing agreement with the Child Support Enforcement program. The high volume of data sharing relates to the mandatory nature of this activity. For employment and training programs, wage-record data are accessed in twenty-eight States by AFDC/JOBS, in twenty-six States by Food Stamps, in nine States by post-secondary vocational education, and in twenty-nine States by JTPA. The AFDC/JOBS and Food Stamps programs have requirements to use wage-record data, while the other two programs do not.

In most cases an office within the SESA, typically the administrative or the legal office, is responsible for entering into data sharing agreements. The UI office is also legally responsible for entering into agreements.

Twenty-one out of forty-two wage record agencies indicated that they use standard language in all data sharing agreements. In a review of the data sharing agreements provided by twenty States, the language, while having some common characteristics, appears to be individualized by State. In some agreements, such as those with the Child Support Enforcement Agency, the language is generally consistent across States because of federal requirements.

Although the type of agreement and the language therein appear to reflect State differences in the way business is done, there do not seem to be any real barriers to data sharing that are imposed by the agreement itself. It appears from the review of the existing agreements, that one or several model agreements could be drafted for States to use as a yardstick to compare the completeness and adequacy of their documents.

JTPA/WAGE-RECORD DATA SHARING

Wage-record data can be used for multiple purposes by a variety of agencies. For example, they can be used to verify program eligibility, to examine the employment and earnings patterns of individuals before and after participation in the program, and to evaluate the program and/or to establish performance standards.

Of the States responding to the NGA canvass, twenty-nine reported data sharing agreements between UI and JTPA State offices which link individual JTPA records to wage records. Of these twenty-nine States, three use the wage record information only to verify eligibility under the Economic Dislocation and Worker Adjustment Assistance (EDWAA) Act of 1988, and one uses the information only to validate the JTPA 13th-week post-program telephone survey results. The other twenty-five States use the wage-record data for program accountability purposes. In addition to the twenty-nine States, another two States regularly receive lists of UI claimants who are potential JTPA Title II-A or EDWAA participants, and one State exchanges data on a project-by-project basis.

Nineteen of the States with data sharing agreements are participating in NCEP's study of the feasibility of using wage records for accountability purposes. This large number, relative to the total number of States with data sharing agreements, suggests that the NCEP project has been instrumental in encouraging States to forge JTPA/UI data sharing agreements.

Officials in eight of the seventeen States with no data sharing agreements reported that the JTPA office has not requested such agreements. In three other States, the JTPA office had sought but was not able to forge an agreement with the wage record office. Confidentiality barriers and costs were the reasons given for the absence of data sharing agreements.

State officials reported an average annual match rate of 83% between the wage records and JTPA participant records, with a range of 70% to 93%. Approximately 60% of the States have match rates above 85%. (The average annual match rate is the number of JTPA participants for which UI wage information is available as a percentage of the total number of JTPA participants submitted to the UI office for computer matching purposes.)

The data sharing agreements between the wage record and JTPA offices are primarily for JTPA Title II-A and EDWAA programs. Most of the wage-record sharing agreements do not include the 3-percent set-aside for older workers or the 8-percent set-aside for coordination with education.

One might expect that data sharing agreements would occur more frequently when the JTPA and wage record office are in the same department rather than separate departments. However, the canvass found that data sharing agreements are as likely to occur in States where the two offices are in separate departments as in States where the two offices are in the same department.

Data sharing agreements are more likely to exist in States that maintain their JTPA databases on mainframe computers as opposed to smaller computers. This may be due to an increased tendency for formal agreements to be required when a centralized data processing unit is responsible for the JTPA and UI data. Another explanation is that data sharing is more likely to occur when the JTPA and UI records are resident on a common mainframe computer.

As might be expected, State JTPA agencies with UI agreements to access wage records also have more data exchange agreements with other human resource agencies than State JTPA agencies without UI agreements. For example, 67% of the JTPA agencies with UI agreements also have data exchange agreements with the welfare employment program as compared to 44% for JTPA agencies without UI agreements. The same tendency holds with regard to employment service and vocational education programs; see Table 2.

TABLE 2
JTPA AGREEMENTS WITH OTHER EMPLOYMENT AND TRAINING AGENCIES

	States With JTPA/UI Agreements*	**States Without JTPA/UI Agreements**
AFDC/JOBS	67%	44%
Employment Service	53%	26%
Vocational Education	27%	7%

* Total number of responding States is 42.

Officials in States with data sharing agreements were asked to describe any problems the JTPA agency has encountered with the data received from the wage record office. In six States, problems have emerged. The main problem has been the time lag. Another State reported technical difficulties at the beginning of the data sharing arrangement, although this problem was quickly resolved.

CONFIDENTIALITY OF WAGE RECORDS

No single issue has evoked the concern of data users and producers and those within the statistical community more than confidentiality. The challenge is to ensure the protection of the data through confidentiality provisions while also allowing reasonable access to the data through data sharing agreements. This issue is being brought to the fore by several factors: advances in computer technology; administrative strains caused by shrinking budgets, paperwork limits, program accountability requirements and demands for inter-agency coordination; and changes in the locus of decisionmaking which can complicate data management.

There are two major questions about data confidentiality that affect data sharing within JTPA. First, how do differences in a State's confidentiality provisions affect its ability to implement data sharing arrangements? Second, how do differences in States' confidentiality provisions affect U.S. DOL's ability to access State wage data for national JTPA performance standards? These questions concerning the extent of access allowable under confidentiality provisions raise important issues about the types of actions States would need to take in order to establish agreements for data sharing, both within and between States.[6]

The available literature and ongoing discussions of the "confidentiality versus access" issue generally examine legal, technical, financial, intent/purpose of usage and misuse, informed consent usage and methods, and the perceptions of both data producers and users. Some of these issues are addressed in the next chapter of this report. The present chapter approaches data access from an accountability perspective, i.e., the conduct of data sharing activities in a controlled environment.

Thomas Plewes of the Bureau of Labor Statistics (BLS) has pointed out the need for the "development of a unified, sound and meaningful approach to controlling the sharing of data covered by a pledge of confidentiality with other entities."[7] A "controlled sharing" approach is not completely in place yet, and the question of how to accomplish it remains to be fully worked out.

To frame confidentiality as an accountability issue, an analogy can be made between data and other valuable public sector resources. Just as personnel, fiscal and other institutional resources are managed for accountability and other purposes, so should data resources. The government should become more accountable for data resources just as it is becoming more accountable for the expenditure of funds and the resulting outcomes.

Control over the uses of wage-record data is necessary because there is public concern over both the amount of data collected by the government and the data's ultimate uses. Examples that suggest the public's reactions to government data activities include:

- low and uneven response rates to the 1990 Census;
- the support of employers, particularly small businesses, for the Paperwork Reduction Act of 1991 (S. 1139); and
- State legislative responses to misuses of personal data (Caller ID; private sector use and selling of information-EQUIFAX; Department of Motor Vehicles' releases of data that had some unfortunate results).

The above examples suggest the public may perceive the "controlled part" to be less than adequate and that the fiduciary responsibility of the government is not being upheld. This argues the case for improved management and accountability of data sharing. However, while these examples imply individuals and businesses are concerned about the government's role in collecting and using data after its receipt, there is no solid proof that controlled information sharing allowed under consensual arrangement would sacrifice respondent cooperation and data validity.[8]

Despite the legitimate concern over confidentiality, forty-six States responding to the NGA canvass are sharing wage-record data. (Puerto Rico is the exception.) The number and nature of data sharing vary considerably among the States: from one that has just a single agreement to another with 104 agreements. The average number of data sharing agreements per state is seventeen. Table 3 presents the frequencies associated with given numbers of agreements.

TABLE 3
NUMBER OF AGREEMENTS

Number of Agreements	Number of States*
0- 4	9
5- 9	15
10-19	10
20-29	6
30-39	1
40-49	1
50+	1
n/a	3**

* Total number of responding States is 46.

** These three States did not respond to the UI-side instrument but reported agreements on the JTPA-side instrument.

Data access is currently governed by a myriad of federal and State laws and regulations regarding privacy or confidentiality and open access or open records laws. In forty-one States, the State UI statute affects the release of wage-record data. In the States where the wage record is the responsibility of an entity other than the SESA, other laws govern the release of the data. Twenty-three States reported that confidentiality laws affect data release. In ten States, freedom of information laws also have an impact. Table 4 summarizes this information.

At the federal level, the U.S. Bureau of Labor Statistics' confidentiality rules govern the release of Standard Industrial Classification (SIC) data and other information for worksites of multi-unit firms. The U.S. DOL's proposed regulations, published for comment on March 23, 1992 (57 FR 10064), stipulate the following: aside from mandatory disclosures in the Social Security Act, the Federal Unemployment Tax Act, and the Wagner Peyser Act; Section (303)(a)(1) of the Social Security Act governs the confidentiality and disclosure of data collected and maintained for the administration of the unemployment insurance (UI) program.

TABLE 4
LEGAL STATUTES AFFECTING RELEASE OF WAGE-RECORD DATA

Legal Statutes	Number of States*
State UI Laws	41
Privacy/Confidentiality Laws	23
Freedom of Information Laws	10
Other	6

* Number of responding States is 47.

Reviews of the confidentiality provisions in data sharing agreements provided by twenty States reveal that the language ranges from very broad statements that the data are confidential in general, to very detailed provisions. The most common provisions are: the purpose for data sharing, who has access, who pays, and data usage. Provisions regarding data retention and final disposition were the least likely to be incorporated into data sharing agreements. Table 5 presents the number of States including each provision in their data sharing agreements.

The agreements of several States seemed to be very similar, suggesting there was model language and/or interstate communication when the agreements were drafted. Several of the agreements contain the major elements and offer possible models for other States to emulate. Appendix II.B contains two candidates.

TABLE 5
CONFIDENTIALITY PROVISIONS IN DATA SHARING AGREEMENTS

Confidentiality Provisions	Number of States*
Allowable Use of Data	19
Cost Reimbursement	18
Who Receives Data	18
What Information is to be Shared	17
Redisclosure of Data	16
Security Procedures	14
Liability Clause	11
Enforcement	6
Informed Consent	5
Data Retention	3

* Total number of responding States is 20

Of the States with JTPA data sharing agreements, the most common provision concerning confidentiality was one specifying the types of allowable data uses. Six States reported that provisions covered release to local entities, and six States had provisions for release to out-of-State entities. (See Table 6.)

TABLE 6
CONFIDENTIALITY PROVISIONS IN JTPA DATA SHARING AGREEMENTS

Confidentiality Provisions	Number of States*
Release to	
Local Entities	6
Out-of-State Entities	6
Federal Agencies	3
Private Entities	2
Types of Allowable Data Use	8
Data Retention Limits	4
Other	6

* Total number of responding States is 29.

Concern over confidentiality has led to limits on data access: some requesting entities have not received access to all the data they would like to use. Twenty-nine States cited confidentiality as a reason for not being able to meet *non-JTPA* data sharing requests, and five States cited it as a reason for not being able to meet *JTPA* requests. Whether confidentiality was the sole reason for the lack of an agreement is difficult to say in the absence of further information about the purpose and nature of the requests that were not met.

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Many SESA Labor Market Information Offices maintain records of the volume and types of data releases to users. This information is useful in justifying data collection and in addressing the public responsibility to disseminate data for legitimate purposes. Agencies' records of release of confidential data to other entities through data sharing agreements need to be clear and readily understandable.

At the national level there are several initiatives that could improve the accountability of data sharing activities. The U.S. DOL is attempting to standardize the UI data sharing process, including confidentiality provisions, by specifying who may receive what data under what conditions. The U.S. DOL's proposed regulations reinforce the basic concept that confidentiality of State UI records is essential. Under the proposed regulations, individually identifiable data could only be shared with a non-UI entity under a written agreement that specifies the:

- purposes;
- safeguards;
- reimbursement of costs;
- method of disposal of data after the agreement terminates;
- approved uses;
- conditions of any redisclosure;
- inspection and oversight responsibility of the UI agency; and
- the use of informed consent procedures for claimants and employers.

Other federal initiatives include the following:

- The Bureau of Labor Statistics is especially concerned with the unrestricted use of employer data and is designing an approach to confidentiality for the Business Establishment List program.
- The Office of Management and Budget is drafting an administration bill for federal interagency sharing of data under certain procedures and safeguards but will most likely not offer provisions concerning the States.
- The National Academy of Sciences has been conducting a study over the past 18 months to examine issues of privacy protection, facilitating responsible data access, and enhancing the public's confidence in government data. This effort is supported by the National Science Foundation, Census Bureau, Bureau of Labor Statistics, Internal Revenue Service, National Institute on Aging, and National Center for Education Statistics, among others.

The proposed regulations on the confidentiality of UI data, in particular, and the policies of BLS indicate a trend toward standardizing the data sharing process. Such standardization will necessarily affect SESA data sharing practices. In addition, States may decide to take action beyond these national measures.

In summary, many States have dealt successfully with the legal issues, at least in the sense that they have entered into functional data sharing agreements which address many of the issues outlined above. Establishing an audit trail for confidential UI data and their release is a further step toward sound and prudent management of these data resources. Many SESAs will welcome the proposed regulations on confidentiality and the opportunity to conduct data sharing in a more controlled environment; others may think the regulations are limiting.

Key Issues In JTPA/Wage-Record Data Sharing

COSTS OF DATA EXCHANGE

The costs of developing and maintaining a system to link wage records and JTPA administrative records have been found to be relatively low. An estimate of the start-up costs is approximately $20,000 per state for the JTPA office.[9] State officials responding to the SESA canvass estimate that it will cost the wage record office an average of $8,000 to develop a system to respond to JTPA data requests. (These start-up costs for the State wage record offices ranged from $600 in a small State to $20,000 in a large State.) These costs are required to be reimbursed to the wage record office by the State JTPA agency.

Annual operating costs of such a system are low and vary according to the size of the State, based on information obtained from the canvass. The average annual cost per record for the State JTPA office to prepare the participant data for matching and processing the UI wage data once obtained is $1.75, with a range across States of approximately $1.00 to $2.80. On average, it costs the wage record office $0.20 per requested record to process and match the JTPA records. Thus, an estimate of the total average cost per record for the system is $1.95.[10] As discussed earlier, the U.S. DOL has proposed regulations affecting the confidentiality and oversight of UI data. If these regulations are implemented as proposed, there likely would be an increase in the cost of obtaining data from the State UI offices, due to additional oversight responsibilities that would be required.

If a JTPA/wage-record data exchange system had been in place during PY 1989, it would have cost a little over $700,000 to obtain the data for the 362,713 Title II-A adult terminees nationwide and almost $460,000 for the 234,843 EDWAA terminees. Using the estimated average cost per record given above, it would have cost the State with the largest number of JTPA participants around $65,000 to obtain wage record information for all its Title II-A adult terminees and $13,800 for its EDWAA terminees. (These figures do not take into consideration possible savings produced by returns to scale.) It would have cost the State with the smallest number of participants approximately $1,300 for its Title II-A adult terminees and $600 for the EDWAA terminees.

A main component of the present JTPA performance standards system is a post-program telephone survey, as noted at the outset of this chapter. According to a study by the National Governors' Association, the average cost for conducting JTPA telephone follow-up in PY 1989 was $19 per completed interview. Following assumptions developed by Northern Illinois University regarding numbers of participants, sample sizes and respondent rates,[11] but modifying the cost per completed interview to reflect current figures; the annual cost of collecting JTPA post-program data is estimated to be $3,068,500 ($2,141,300 for Title II-A adults and $927,200 for Title III). This current cost is substantially more than the $1,160,000 projected cost of obtaining earnings and employment information through the use of UI wage records.

Who saves from a switch from the post-program telephone survey to wage-record data is determined by who conducts the present survey and who pays for it. According to the canvass results, two-thirds of the States conduct centralized JTPA follow-up. This proportion is the same for both States with JTPA/wage-record data exchange agreements and States with no agreements. Of course, actual savings to States and/or Service Delivery Areas (SDAs) would also be determined by the type of agreement between the State JTPA office and SDAs to finance the post-program data collection. (For further discussion, see Appendix I.B.)

The canvass produced no evidence that the cost of maintaining a JTPA/wage-record data exchange system varies with the type of State management information system. The costs seem to be similar for States with centralized automated systems and for States with decentralized automated systems maintained at the SDA level. At this time, all States have automated MIS systems.

The type of hardware (e.g., mainframe vs. micro computer) used to maintain the JTPA data also seems to have no effect on the cost of the JTPA/UI exchange system. However, as noted before, more States with JTPA/UI data exchange agreements maintain JTPA data in mainframe computers than States with no agreements. Over the last five years, computer hardware and software have improved greatly. It is possible currently, as many States do, to maintain large databases in small personal computers. In fact, in three States changes are under way to transfer the JTPA databases from mainframe computers to personal computers.

A key issue regarding data exchange costs in a few States is the need to develop a flow of individual participant data between the SDA level and the State level. Five JTPA State management information systems (Alabama, Hawaii, New Mexico, New York, and Puerto Rico) do not contain individual participant data. In three of these States, it would take more than five weeks to obtain JTPA individual records from the SDAs; in the other two, it would take between one and four weeks.

TIME LAGS AND DATA AVAILABILITY

The wage-record data need to be available on a timely basis for purposes of JTPA program management and performance standards. Availability refers to both which data are available (i.e., the data items collected and retained) and when these data are available (i.e., the time required to process and prepare the raw data for internal agency administration and record matching uses).

A major concern regarding the use of wage records for determining JTPA performance standards is the time lag between the end of a calendar quarter, which is the reporting period for the data describing individuals' wages, and the date when the data become available for record matching. This depends on the timing of the receipt of the raw data from employers and the time required for data entry and processing.

Covered employers are required to submit a wage and tax report to the UI agency within one month of the end of each calendar quarter. If the information is not received, the employer is considered to be delinquent and is subject to tax penalties. Upon receipt of the forms submitted by employers, data are entered into agency computer systems. The time it takes to enter and process the data contributes to the overall time lag.

SESA officials report that on average it takes twelve weeks between the end of a quarter and the availability of the wage-record data for matching purposes. Although the number of weeks ranges from four to twenty-six, there is little variation among the vast majority of the States. (See Table 7.) In forty-three States, the information is available in less than fifteen weeks. Only in three States does it take more than fifteen weeks for the wage-record data to be available.[12]

TABLE 7
TIME LAG FOR WAGE DATA AVAILABILITY

Number of Weeks	Number of States*
0 - 9	7
10 - 14	36
15 - 19	1
20 +	2

* Total number of responding States is 46; one State was not able to provide this information.

In the three States where it takes more than fifteen weeks for the wage-record data to be available, the main reasons are data submission media and data entry. The media used by employers fall into two broad categories: (1) hard copy and (2) various electronic media including magnetic tapes, floppy disks, and interactive input. Overall for the SESAs responding to the canvass, 83.5% of employers with fifty or more employees, and 89% of employers with less than fifty employees, submit their wage data on hard copy. Filling out the hard copy forms takes considerable time, and the information then has to be entered into the State's computer system by State agency staff.

The turnaround time between JTPA officials' request for wage record information and their receipt of the requested information adds to the amount of time it takes wage-record data to become available. State JTPA officials were asked to estimate the turnaround time from the date they submit a request for wage record information to the date they receive the information. On average, it takes three weeks for the wage data to be available to the State JTPA office. The lag time ranges from one to six weeks. It should be noted that some JTPA offices, in States where JTPA and wage record offices are under the same agency, have immediate access to wage records.

The time lag between the date of request by the JTPA agency and the receipt of wage-record data seems to be affected by the volume of the request. For requests of 10,000 records or more, the average number of weeks from the time the request is submitted to the time the information is received at the State JTPA office is 3.25 weeks; for requests of less than 10,000 records, the amount of time is only 2.00 weeks.

Another issue regarding the use of wage-record data for JTPA purposes concerns the availability of the specific data items requested. Availability refers to both the capture of the specific data on the original collection instrument and the length of time these data are retained, either in active files or archives within the State. Fourteen States reported problems with non-JTPA requests because the requested data were not available. Also, two JTPA officials reported that their request for wage-record data could not be met because the requested data for pre-program quarters had not been archived.

States generally retain wage-record data (name, social security number and quarterly wages) in active files for an average of eight quarters. However, there are variations in retention across data elements depending in part on the way in which State files are organized. The employer's Standard Industrial Classification (SIC) code, which is stored separately from the wage data in some States, is retained on average for thirteen quarters.

Once archived, the name, social security number and quarterly wages are retained in storage for an average of six, five and five years respectively. The SIC code is retained in storage for six years on average. Some data elements, such as the individual employee's name, are retained indefinitely.

Because the most commonly requested wage-record elements are retained for a considerable amount of time after collection, States are usually capable of meeting legitimate requests. On the whole, data availability should not cause significant problems within the States or at the national level.

Different uses of wage-record data by JTPA offices make different demands on timeliness. For example, if wage records are used for studies of pre- and post-program earning patterns, or for net-impact evaluations, timeliness is less crucial than if the wage records are used for performance standards. Timeliness is critical to performance standards because the data are required immediately after the end of the JTPA program year for purposes of determining incentive grants.

In summary, for the typical State responding to the canvass, it will take about fifteen weeks between the end of the reporting quarter and the time when the wage records are available to the JTPA office. In the three States with a time lag beyond fifteen weeks, it would be difficult for them to use wage-record data for JTPA performance standards purposes, as their systems are currently organized.

OUT-OF-STATE EMPLOYMENT

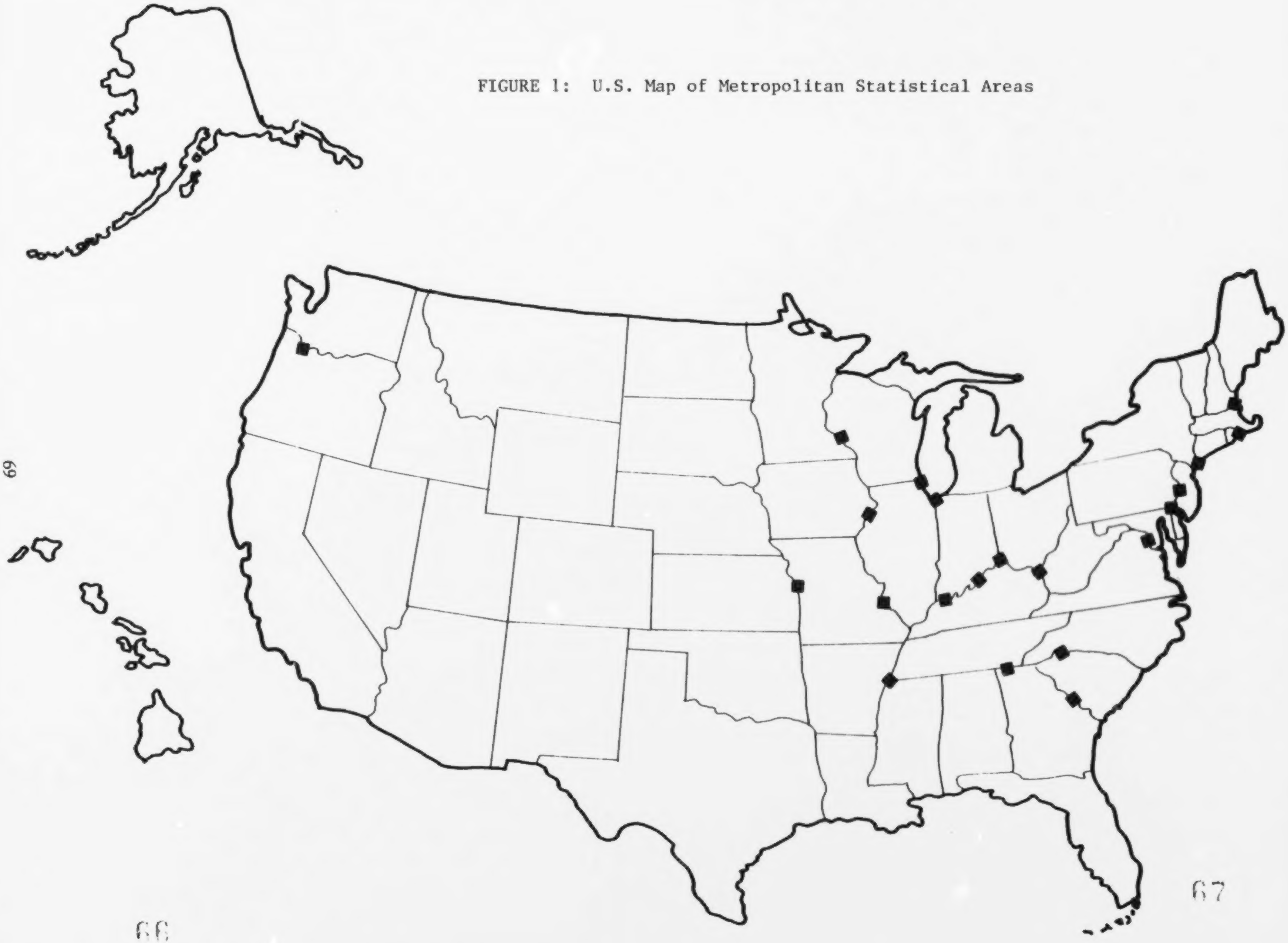
Another critical issue regarding the use of wage records for JTPA accountability purposes is out-of-State employment. When JTPA participants are placed in jobs outside the State where they were trained, the program's effect could go unmeasured. This situation would most likely arise in Service Delivery Areas bordering other States. The overall effect for the JTPA system seems to be small, but the exceptions warrant attention. (See also the discussion in Chapter IV.)

Based on nationwide data from the U.S. Bureau of the Census, there are twenty-one Metropolitan Statistical Areas (MSAs) that cover more than one State. The map on the following page shows the locations, and Appendix II.C gives a complete list of the MSAs. A total of twenty-seven States have MSAs that are in multiple States. Of these twenty-seven States, twenty-four responded to the JTPA canvass, and eleven reported data exchange agreements with neighboring States.

State JTPA officials were asked to estimate the percentage of JTPA terminees residing in their State but placed in jobs outside the State's boundaries. The estimated percentage of out-of-State employment averaged 3.5%. State officials were also asked to list SDAs where this number represents at least 10% of the total number of JTPA terminees. None reported any such SDAs, although some respondents recognized out-of-State employment as a serious issue for some of their SDAs. This issue seems to be particularly important in the New York City and Washington, D.C. areas.

While the number of SDAs seriously affected by this problem seems to be few, out-of-State employment has to be addressed in these special cases to assure equitable treatment throughout the JTPA system. Since the data would be used to determine performance and to distribute incentive dollars for exceeding standards, affected SDAs would want interstate data sharing agreements or at least a statistical adjustment mechanism to account for out-of-State employment.

FIGURE 1: U.S. Map of Metropolitan Statistical Areas



DATA CONTENT AND APPLICABILITY

The use of UI wage-record data for JTPA accountability purposes appears to be technically and legally feasible for a majority of States, as demonstrated by the results of this study and others. A next issue relates to how fully these data meet the needs of local, state and national decisionmakers responsible for the various aspects of JTPA program management, monitoring and evaluation. Previous assessments of wage record content generally have focused on the scope of coverage of employers in the wage record system and differences in coverage across States.[13] The benefits of the information provided by each source depend on the application: state/local program management, national performance standards and/or evaluation. The content of the wage-record data for each of these applications will now be discussed.

For current performance standards purposes, the UI wage records and the follow-up survey provide comparable information. The quarterly UI wage data, when attached to the JTPA participants' characteristic data, provide basic information about post-program employment and earnings, as do the corresponding survey data. However, it should be understood that the specific measures of performance derived from the two data sources are not directly comparable.

For other program management purposes, there are significant differences between the content of the data collected from the current telephone survey and the UI wage records. The post-program survey requests information on whether the respondent worked for pay during the thirteenth week after termination; the amount of hours worked that week; the hourly wage rate; the extra compensation received for overtime, bonuses, tips, etc.; and the total number of weeks employed during the thirteen-week period. In addition, State JTPA agencies may include other questions on the survey instrument.

In contrast, the States' wage-record data indicate whether an individual was employed or not during the quarter and the total quarterly wages reported. In a majority of the States, there is no information on the wage record that would indicate the date the person began employment or the duration of employment during the quarter. Thus, for purposes of local program management, a participant survey can provide a more detailed description of the post-program employment experiences of JTPA participants at a particular point in time.

The eight States that collect information on hours (or weeks) worked have the advantage of being able to use a more precise measure of employment and to infer an hourly (or weekly) wage rate. The potential for other States to collect these items through their wage reporting systems seems limited at this time.

During the 1980s, several States found that their wage-record data were insufficient to meet all of their goals for program management, since an hourly (or weekly) wage rate could not be obtained, without collecting the hours (or weeks) worked during the quarter.[14] In addition, without knowing the individual's occupation after leaving the program, the relationship of a post-program job to the type of training could not be determined.

These agencies examined the feasibility of adding the needed data elements to the wage reporting form. The additional items generally considered for inclusion on the form were hours (or weeks) worked by employee and an occupational identifier. The States undertaking these efforts found the task of augmenting the wage reporting form to be difficult as best. However, in at least one circumstance, the attempt was successful.[15]

Occupational information is also not typically collected on the current survey form. However, if JTPA program managers would like to obtain this information, it would be easier to use a survey approach than to add additional data items to the UI wage reporting system.

As stated earlier, the telephone survey and UI wage data are comparable for performance standards purposes. However, for other accountability purposes, they are not comparable. For example, there are variations in the content of UI wage data across States, industries and employers.[16] The reporting of wage data in a payroll data system can be affected by employee overtime, bonuses, shift differentials, part-time work, cost-of-living differentials and other circumstances. Establishments have different-length work weeks (varying on average from thirty-five to forty hours) and have different methods of compensating for overtime hours worked. The usual absence of length-of-time-worked data further restricts interpretation of the quarterly wages reported by different employers in the wage record system. Since persons completing the same training programs may enter jobs in a variety of industries where employment patterns and compensation methods differ, the UI wage data do not suffice for in-depth evaluations of trainees' employment and earnings outcomes.

On the other hand, for longitudinal analysis and evaluation of job training effects on participants' earnings, the UI data have advantages. The wage records can be used to track the quarterly employment status and earnings of participants for long periods of time before and after their receive their training. Since the post-program survey data are only collected once, these data cannot be used for longitudinal analysis. Furthermore, U.S. DOL's separate Job Training Quarterly Survey, a series of national snapshots of participant characteristics and immediate outcomes, also lacks longitudinal information about individual participants.

In addition, the UI wage-record data could serve as a "common currency" to consistently describe earnings outcomes across a variety of public employment and training programs. The wage data can be obtained for nearly the universe of program participants (as opposed to just a sample when the survey approach is used for programs with many participants). As a standardized source of data, the wage-record data could be used to examine issues that crosscut the services delivered by various providers and to facilitate a coordinated effort toward common employment and training goals.[17]

In recap, UI wage records provide a source of basic information on employment status and wages of former JTPA participants which is comparable to the follow-up survey data for national performance standard uses. They also are useful for longitudinal analysis and evaluation of job training effects on participants' earnings. However, these records by themselves do not provide the in-depth information needed to address the full range of program accountability and evaluation purposes.

In order to meet all of these information needs, U.S. DOL should consider a third option in lieu of using either wage-record data exclusively or telephone survey data exclusively. It should examine the feasibility of using wage-record data together with a restructured participant follow-up survey that all States could conduct on a regular basis.

This alternative approach could include the use of the wage-record data to indicate employment status and earnings of program participants and the conduct of a modified follow-up survey to gather additional job information not available in the wage-record database. One possibility is to have statewide follow-up surveys, with smaller sample sizes that are calibrated to the wage-record data. This would reduce the costs of the follow-up survey and would allow additional evaluative information to be integrated with the employment status and earnings data obtained from the wage records. This approach could reduce costs and reporting burden, yet yield more meaningful data to improve the understanding of training program outcomes. At least one State has taken an approach similar to this one.[18]

In conclusion, to address the full range of program accountability and evaluation purposes, the U.S. DOL and the States should explore this and other options that capitalize on the benefits of the wage-record data when combined with other types of data collection.

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DATA ACCURACY

Inaccuracies can occur in both survey data and administrative records. For the most part inaccuracies arise from reporting errors made by the original data provider and/or clerical errors in transcribing the information. Errors can exist in the data items used to link data from two different sources (e.g., social security number) and/or in the data used for program management (e.g., participant's post-program earnings).

With telephone interview data, inaccuracies primarily occur when respondents misreport their own employment status and/or earnings. State JTPA offices are required to validate data received through the follow-up interview used in the performance standards system, but the process is difficult.

With UI wage-record data, employees' names and social security numbers may be missing or may contain invalid or duplicate numbers. Given the hard copy submission format that is still so widely used by employers to report quarterly wage and tax information, large amounts of data must be entered into State computers. These data are more likely to contain errors than data submitted electronically by employers.

Since the wage record is not edited fully at the time of data entry, errors may go undetected. An individual's wage-record data generally is verified only when that person files a claim for unemployment insurance benefits based on the reported wages. On average about 10% of the wage records are verified annually. Of the forty-seven wage record offices responding to the NGA canvass, twenty-five States verify missing social security numbers, twenty-three verify invalid numbers, and sixteen verify duplicate numbers during the UI claim determination process.

The wage record agency generally does not guarantee the accuracy of an individual's employment and earnings record and waives the liability resulting from use of these data. According to the canvass, eleven States include clauses in data sharing agreements stating that the employment and wage data are unverified. In some cases, where the data are used for enforcement and legal purposes, the interagency agreement requires the requesting agency to independently verify the data.

Only two States reported any problems with the accuracy of the wage-record data obtained for JTPA purposes. This is encouraging, since inaccurate data could adversely affect the usefulness of the data for performance standards purposes. In addition, inaccuracies in the social security number used to link the wage-record data to the JTPA participant records could make data matching difficult if not impossible. Wage record agencies were not asked in the canvass to assess the level of accuracy of data items contained in the wage-record data system (e.g., the social security number, quarterly wages, employer identification number, SIC code or the business address). However, JTPA officials in States with data sharing agreements were asked to indicate how they perceived wage-record data accuracy. Generally, they perceived the data to be adequate for their purposes.

Summary And Recommendations

This chapter has documented and examined the capacity of States to share UI wage-record data with other State agencies, particularly with State JTPA offices. Wage-record data offer an appropriate source of data for use in the national JTPA performance standards system because (1) the data sharing capability exists, (2) the costs of data matching are low, and (3) the wage-record data are comparable in content to the current post-program survey data for performance standards purposes (although the specific measures of performance derived from the two data sources are not directly comparable).

However, before these data can be used by the States for performance standards, several practical issues need to be resolved. The recommendations in this section address these issues. For example, U.S. DOL will have to modify its performance standards requirements regarding the timeframe for calculating standards. Also, some State JTPA management information systems do not contain the necessary individual participant data for matching purposes, and some wage record agency computers are operating at full capacity and therefore cannot meet additional requests without additional resources. Other important issues include confidentiality, cost sharing, and data accuracy. In many cases these issues call for State-specific technical assistance.

In addition, to assure equitable treatment of SDAs regarding performance standards and the distribution of incentive funds, those SDAs significantly affected by out-of-State employment would want their States to develop interstate agreements or at least provide a statistical adjustment procedure. These procedures should be developed and tested with the affected SDAs.

PERFORMANCE STANDARDS SYSTEM

The National Governors' Association makes the following recommendations with regard to using UI wage-record data for JTPA performance standards.

> **1. The U.S. Department of Labor should provide States with the option of using UI wage-record data in place of telephone survey data for purposes of JTPA post-program performance standards.**

There are three primary justifications for this State option, based on the results of this canvass. First, efforts to share wage-record data have been undertaken over the years under a variety of conditions and for many purposes including research, program accountability, and law enforcement. Because of the increased focus on accountability of human resource and other public programs, the number of data sharing agreements, regardless of the agency responsible for the wage-record data, has increased dramatically in recent years. At least forty-six wage-record agencies each share their data with at least one other entity, and the average number of data sharing agreements is seventeen. Given the amount of data sharing already in place, it appears that virtually all State wage-record agencies should have the capability to share their quarterly wage-record data with requesting State JTPA agencies.

In addition, a majority of the State JTPA offices already have agreements to access the wage records. Specifically, twenty-nine States reported data sharing agreements between their wage record and JTPA offices. Three of these States use the wage record information to verify EDWAA eligibility. One State uses wage-record data to validate the JTPA 13th-week post-program telephone survey results, and twenty-five States use it for accountability purposes.

Second, the cost of the wage-record data is relatively low. The one-time implementation costs average about $28,000 per state ($20,000 for the State JTPA office and $8,000 for the UI office). The average annual cost per record for the State JTPA office to prepare the participant data for matching and then processing the wage-record data once obtained is $1.75, and the average annual cost per record for the UI office to process and match the JTPA records is $0.20. The average cost of $1.95 per record using the UI approach is much lower than the average cost of $19 for a completed telephone interview using the current survey approach. However, it should be noted that implementation of the proposed U.S. DOL regulations on confidentiality and oversight of UI data may increase the costs to the UI agency.

If the wage record matching procedure had been used in PY 1989, it would have cost about $1,160,000 to obtain roughly comparable employment and earnings data on all adult Title II-A and Title III terminees. By contrast, it is estimated that the annual cost of collecting JTPA post-program information for adult samples using the current telephone survey is $3,068,500. This indicates potential cost savings to the JTPA system of about $2 million annually.

Third, for use in national JTPA performance standards, the employment status and quarterly earnings from the wage records are roughly comparable to the employment status and 13th-week earnings data currently obtained from the post-program telephone survey. In addition, the UI wage information might serve as a common currency to measure the performance of JTPA and other employment and training programs.

2. The U.S. Department of Labor should modify the JTPA performance standards system to accommodate the use of UI wage-record data.

If wage records are to be used for JTPA performance standards purposes, timeliness is essential. Currently, data from four quarters (one from the previous Program Year and three from the current Program Year) are used immediately after the close of the current Program Year to calculate performance measures for the adult programs. Modifications to this timeframe must be made because wage-record data from the last quarter of the current Program Year would not be available in time to determine SDA performance for purposes of incentive grants.

SESAs reported it takes an average of twelve weeks for wage-record data to be prepared and made available for matching by JTPA offices, with a range of four to twenty-six weeks. In three States, SESA officials reported that it takes between seventeen and twenty-six weeks from the end of a quarter until wage-record data are available to the JTPA office for matching purposes. Under current procedures these three States would not be able to obtain the wage-record data on time for determining performance standards.

Several options exist to address the time lag problem. One option would be to use wage-record data from the four quarters of the previous Program Year and none from the current Program Year. Another option would be to use two quarters from the previous Program Year and two quarters from the current Program Year. The latter option appears to be more viable for many States.

3. These changes should be made in time for the State agencies to be given a one-year transition period (Program Year 1992) prior to full implementation.

4. The U.S. Department of Labor should provide technical assistance to help the States not currently using UI wage-record data.

In eight States the JTPA office has not requested wage-record data. In several other States, these data were requested and because of one or more barriers, the agreement was not achieved. These States may need assistance in one or more areas, since data matching might be difficult without major changes in the JTPA or wage-record data systems. Barriers or obstacles that require attention include confidentiality requirements and lack of access to individual participant data in JTPA management information systems.

a. States where changes are needed to overcome confidentiality barriers will need technical assistance.

Data sharing agreements exist with all levels of government, other States, universities and with private sector entities. However, the extent and conditions of access to wage-record data vary among States as governed by a myriad of State and federal laws. While many States have dealt successfully with the confidentiality issue, five wage record agencies were unable to meet JTPA requests for wage-record data for confidentiality reasons. The development of better safeguards for confidentiality of the wage-record data should improve access to them.

The U.S. Department of Labor has recently released proposed regulations which govern the exchange of State wage-record data. These proposed regulations, published for comment on March 23, 1992 (57 FR 10064), address allowable reasons for sharing data, safeguards, cost reimbursement, oversight, and other confidentiality and disclosure matters. Although these regulations provide many of the elements necessary for a sound and complete data sharing agreement, the regulations do not intend to provide a specific data agreement model that States could use.

States may need to proceed further to collectively build a common framework for data sharing that provides access equity to JTPA data users simultaneously with confidentiality safeguards to data providers. Model data sharing agreement language that is consistent with the finalized UI regulations could be developed to assist the States.

b. States that have to make changes to data systems and enhance their computer capacity will need technical assistance.

Those States that do not have access to individual participant data in their JTPA management information systems are likely to need technical assistance. Five of the responding States lack such access; in three of them, it would be difficult and time consuming to get the individual records from the SDAs.

In four States with no data sharing agreements, wage record agency officials reported that it would be difficult for their offices to meet any additional data sharing requests and impossible if the volume of requests were to increase by 25%. Several States are operating computers at their maximum capacity or close to it, making even a small increment to the work load impossible to accomplish without additional resources. The average percentage of computer time devoted to processing data matching requests was 2.3%, with a range from as little as .05% to as much as 10.0% of agency computer capacity.

c. States will need technical assistance in addressing the out-of-state employment issue.

While only an average of 3.5% of JTPA terminees residing in one State are placed in jobs outside that State's boundaries, some State JTPA officials indicated that this is a problem for some of their SDAs. No State, however, reported SDAs with out-of-State employment of 10% or more. Even though the impact of out-of-State employment for the overall JTPA system seems small, equitable treatment of affected SDAs in the distribution of incentive funds remains an issue. Interstate data sharing agreements are a direct approach to dealing with this out-of-State employment issue. An alternative approach would be for the U.S. DOL to develop a performance standards adjustment mechanism to account for out-of-State employment.

d. States will need technical assistance to address data accuracy issues.

Inaccuracies can occur in data collected from both survey-based and administrative data sources. A sample of telephone survey responses are verified. The wage-record data on the whole are not systematically edited and usually are verified only when a claim is filed for unemployment benefits.

In general, the wage-record data received by State JTPA officials are perceived to be accurate. Several State JTPA officials reported that they encountered and corrected data errors such as duplicate wage records or unrealistic wages. Because JTPA offices that have not used wage-record data may have concerns with data accuracy, technical assistance that builds on the experiences of other States would be beneficial.

> *e. The U.S. Department of Labor should facilitate technology transfers and provide limited start-up funds to States to establish a UI data sharing system and to provide technical assistance to SDAs.*

In three States the JTPA office has not been able to forge a data sharing agreement primarily because of cost constraints. The finance issue is particularly important to small States with limited administrative dollars. The experiences and technical knowledge of the States currently using wage-record data for JTPA purposes should be transferred to those States starting out to develop such a data sharing arrangement.

STATE/LOCAL PROGRAM MANAGEMENT AND EVALUATION

> **5. The combined use of UI wage-record data and participant survey data should be considered for purposes of program management, gross outcomes evaluation, and net impact analysis.**

Participant surveys and UI wage records each have certain advantages. For example, the current post-program survey provides more data about participants' employment experiences than the wage records for a single quarter. However, the survey is collected at only a single point in time, whereas the wage records could provide individual earnings histories for many quarters before and after program participation. Survey data often suffer from nonresponse biases (to be examined in Chapter IV), whereas the earnings data from the wage records are difficult to compare across industries, employers and States for a variety of reasons discussed earlier.

In conclusion, the combined use of UI wage-record data and participant survey data would provide a rich resource for JTPA program management and evaluation purposes.

Endnotes To Chapter II

1. John Baj and Charles E. Trott, A Feasibility Study of the Use of UI Wage-Record Data as an Evaluation Tool for JTPA, Phase I, National Commission for Employment Policy, Washington, D.C., Research Report Number 90-02, January 1991.

2. Jose Figueroa and Allan Misch, JTPA State Evaluation Reports, National Governors' Association, Washington, D.C., July 23, 1990.

3. Thomas Plewes, "Labor Force Data in the Next Century," Monthly Labor Review, U.S. Department of Labor, Bureau of Labor Statistics, Volume 113, Number 4, Washington, D.C., April 1990.

4. Hours worked: Washington. Weeks worked: California, Iowa, Minnesota, Ohio, Oregon, Pennslyvania, and the Virgin Islands.

5. Connecticut, Indiana, Iowa, Mississippi, Oregon, Puerto Rico, Virginia and the Virgin Islands.

6. Nancy Bross, "Using UI Wage-Record Data for JTPA Post-Program Performance Standards," U.S. Department of Labor, Washington, D.C., July 1991.

7. Thomas Plewes, "Confidentiality," paper presented at a U.S. Bureau of the Census Research Conference, Washington, D.C., 1985.

8. Ibid.

9. John Baj and Charles E. Trott, A Feasibility Study.

10. Based on information from 14 States.

11. John Baj and Charles E. Trott, A Feasibility Study.

12. California, Indiana and Utah.

13. John Baj and Charles E. Trott, A Feasibility Study.

14. Colorado, Florida, North Carolina.

15. Alaska.

16. John Baj and Charles E. Trott, A Feasibility Study.

17. Nancy Bross, "Using UI Wage-Record Data."

18. Florida.

APPENDIX II.A

State Responses To The Canvass

STATE RESPONSES TO THE CANVASS

	Both Responses	JTPA Only	UI Only
ALABAMA	X		
ALASKA 1	X		
ARIZONA *	X		
ARKANSAS *,2	X		
CALIFORNIA *	X		
COLORADO *,2		X	
CONNECTICUT			X
DELAWARE *	X		
DISTRICT OF COLUMBIA		X	
FLORIDA *	X		
GEORGIA *		X	
HAWAII	X		
IDAHO *		X	
ILLINOIS *	X		
INDIANA *	X		
IOWA *			X
KANSAS	X		
KENTUCKY *	X		
LOUISIANA			X
MAINE			X
MARYLAND *		X	
MASSACHUSETTS 3		X	
MICHIGAN	X		
MINNESOTA	X		
MISSISSIPPI	X		
MISSOURI *	X		
MONTANA *			X
NEBRASKA *,4	X		
NEVADA *	X		
NEW HAMPSHIRE *	X		
NEW JERSEY *,5	X		
NEW MEXICO	X		
NEW YORK 6	X		
NORTH CAROLINA *,2	X		
NORTH DAKOTA			X
OHIO *	X		
OKLAHOMA			X
OREGON *	X		

	Both Responses	JTPA Only	UI Only
PENNSYLVANIA *	X		
PUERTO RICO	X		
RHODE ISLAND			X
SOUTH CAROLINA *	X		
SOUTH DAKOTA *	X		
TENNESSEE *,4	X		
TEXAS *	X		
UTAH *	X		
VERMONT *			X
VIRGIN ISLANDS			X
VIRGINIA *	X		
WASHINGTON *	X		
WEST VIRGINIA	X		
WISCONSIN	X		
WYOMING			X
TOTAL NUMBER	36	6	11

* -Sharing UI data with State JTPA office.
1 -Sharing UI data on a project by project basis.
2 -UI data used only to verify EDWAA eligibility.
3 -Quarterly wage data collected by the Revenue Department.
4 -UI data used only to identify potential JTPA participants.
5 -UI data used to validate 13th-week postprogram telephone survey.
6 -Quarterly wage data collected by the State Department of Taxation and Finance. Wage data have been provided to some SDAs through agreements with the State Department of Labor. The data exchange has been for specific targeted populations.

APPENDIX II.B

Illustrative Data Sharing Agreements

Information Exchange Agreement between Texas Employment Commission and Texas Higher Education Coordinating Board

The Texas Employment Commission, hereinafter referred to as TEC, and the Texas Higher Education Coordinating Board, hereinafter referred to as THECB, do hereby agree to the following:

I. Statement of Purpose

As part of the "Lone Star Completer Follow-up Pilot Study," the Texas Higher Education Coordinating Board must survey those students who have attended the institutions under the purview of the THECB to determine the effectiveness of training received at those institutions. To conduct this survey, THECB must obtain the current location of former students. As part of the reporting system for the Unemployment Insurance system in the state of Texas, the Texas Employment Commission maintains a database of reported wages and employers, by Social Security Number, for a five-calendar period, not including the current or the most recently completed calendar quarter. The purpose of this agreement is to provide THECB with a listing of current employers of former students by matching a listing of Social Security Numbers of students against TEC's wage record file.

II. Services

At least once per quarter, THECB will submit to TEC a magnetic tape containing the Social Security Numbers of former students. TEC will conduct a computer match of this tape against its wage record database, providing THECB with a listing of the most current employer name and address for each SSN match.

III. Charges and Billing

Following each computer match, as described in Section II above, THECB will be billed by TEC for the cost of providing this service.

Charges will be consistent with the computer utilization and staff charges in effect at the time the services are performed. Current charge rates are reflected in Attachment A; however, TEC reserves the right to revise the rates found in Attachment A at any time, with or without notice, based on TEC's actual costs. THECB agrees to pay the rates in effect at the time the service is performed.

Payment will be made by THECB within 60 days of receipt of a billing by TEC for services provided under this contract.

IV. Confidentiality and Security of Data

Employment data contained in TEC's database is confidential by law. This information is not to be published or made open to public inspection in detail form. Any use or redistribution of this data by THECB must be consistent with the purposes outlined in Section I, above, and must be expressly conditioned on an agreement with the recipient to maintain the confidentiality of the data so disclosed.

THECB agrees to maintain sufficient safeguards under its procedures to prevent unauthorized access to confidential information provided to it under this agreement and to prevent redisclosure of such confidential information, except as provided for in the foregoing paragraph.

V. Waiver of Liability

Wage record information on file with TEC is generally unverified until such time as an individual files a claim for unemployment benefits based on reported wages. For this reason, it should be clearly understood that TEC's data disclosed pursuant to this agreement may contain inaccuracies due to erroneously reported information and/or clerical error in transcribing this information. TEC makes no guarantee regarding the accuracy of this information.

VI. Legal Authorities

The parties to this agreement are granted the authority to enter into this agreement by Article 4413 (32) V.T.C.S. TEC's contracting authority may be found at Tex. Rev. Civ. Stat. Ann., Art. 5221b-1 et. seq. THECB's contracting authority may be found at
--.

VII. Modification or Termination of Agreement

This agreement may be modified at any time by the mutual, written consent of both parties. Either party may terminate this agreement at any time, upon written notice to the other party.

VIII. Execution

For the faithful performance of the terms of this agreement, the parties, by their authorized representatives in their capacities as stated below, affix their signatures and agree to be bound by the provisions hereof. This agreement has been made and executed by the parties in duplicate. The effective date of this agreement will begin on the date of last signature by the executing parties, below.

Approved by:

Texas Employment Commission	Texas Higher Education Coordinating Board
William Grossenbacher	
William Grossenbacher Administrator	Dr. Kenneth Ashworth Commissioner
Signed in Austin, Texas This 7th day of January 1991	Signed in Austin, Texas This 17 day of January, 1991

TEXAS EMPLOYMENT COMMISSION
JOB ACCOUNTING SYSTEM RATE WORKSHEET

Type of Units	Description of Units	Rates
CPU TIME	Number of seconds of computer processing time.	00.231218
JOBS RUN	Number of jobs, TSO logons, etc. run during the monthly accounting period.	02.374857
MEMORY USED	Amount of main storage occupancy in hundreds of CPU page seconds used by jobs.	00.237207
DISK I/O	Number of disk read and write operations X 1000.	00.219742
DISK SPACE	Amount of disk space required to perform job functions and store permanent files, measured in megabyte hours.	00.006584
TAPE I/O	Number of tape read and write operations X 1000.	00.268429
TAPE MOUNTS	Number of times tapes manually placed on tape drive equipment.	01.065082
TAPE STORAGE	Number of days tape(s) are held in tape library or security vault.	00.065967
STANDARD PRINT	Number of pages printed on Xerox 9700 printer.	00.011637
SPECIAL PRINT	Number of pages of manufacturers preprinted forms.	00.128476
PROGRAMMER/ ANALYST TIME	Per hour rate for any necessary programmer/analyst time.	27.59
NON-PROGRAMMING STAFF TIME	Per hour rate for staff time spent in connection with processing of a request, other than programming time.	17.50

The above rates are periodically revised to take into account any significant changes in costs of staff, equipment, system software, etc. Once revised, these rates are automatically applied to all computer utilization jobs.

DES Number ES-90-91-2645

COMMONWEALTH OF KENTUCKY
CABINET FOR HUMAN RESOURCES
DEPARTMENT FOR EMPLOYMENT SERVICES
DIVISION OF UNEMPLOYMENT INSURANCE
AND
DEPARTMENT FOR SOCIAL SERVICES

THIS AGREEMENT, made and entered into as of the first day of July, 1990, by and between the Department for Employment Services, hereinafter referred to as DES, and the Department for Social Services, hereinafter referred to as DSS.

WITNESSETH THAT:

WHEREAS the Department for Social Services (DSS) has the responsibility for determining Title IV-E eligibility for foster children pursuant to 45 CFR, Part 1357.

WHEREAS in discharging its responsibility the DSS has need of information upon the residence and employment of responsible parents; and

WHEREAS the Cabinet for Human Resources, Department for Employment Services, (hereinafter DES), Division of Unemployment Insurance routinely maintains, in the administration of the unemployment compensation programs, information upon the addressed employment status of those who either (1) receive unemployment benefits or (2) work in a job covered by the Unemployment Insurance Act; and

WHEREAS pursuant to KRS 341.190, information within the files of the Division of Unemployment Insurance, though confidential, may be shared with other governmental agencies when used in the course and scope of the agency's responsiblity and upon adequate assurances of confidentiality; and

WHEREAS the sharing of this confidential information with DSS would assist that agency in carrying out its responsibilities, and would further foster efficient economical government;

NOW THEREFORE it is hereby agreed by and between the DES and DSS as follows:

1. The Division of Unemployment Insurance shall provide to the DSS information upon the names and addresses of recipients of Unemployment Insurance benefits;

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2. It is further agreed that the Division of Unemployment Insurance shall provide information within its files on individuals in covered employment (consisting of at least the names and addresses of employers) which it routinely collects during its administration of the Unemployment Insurance Program;

3. The Division of Unemployment Insurance shall provide the foregoing types of information by providing on-site access through user terminals to programs 4B, 4C, 4E, 40, 43, and 48.

4. A list of users in DSS will be provided to DES and kept current by DSS by immediately notifying DES of any such employees who terminate their employment with the Agency or whose job duties no longer require access to DES files. Further, all employees who have access to unemployment insurance databases are required to read, sign and forward a copy to DES 2 security statements, "Access to On-line Computer Screens" and "Security Agreement for All Employees". (See Attachments A and B).

5. The Agency agrees to provide a written copy of their internal security safeguards to insure that information obtained from DES will be protected against unauthorized access or disclosure and as a minimum agrees to comply with 20 CFR 603.7 which reads as follows:

> "§ 603.7 Protection of confidentiality.
>
> (a) State unemployment compensation agencies shall require requesting agencies receiving information under this Part to comply with the following measures to protect the confidentiality of the information against unauthorized access or disclosure:
> (1) The information shall be used only to the extent necessary to assist in the valid administrative needs of the program receiving such information and shall be disclosed only for these purposes as defined in this agreement;
> (2) The requesting agency shall not use the information for any purposes not specifically authorized under any agreement that meets the requirements of section 603.6;
> (3) The information shall be stored in a place physically secure from access by unauthorized persons;

(4) Information in electronic format, such as magnetic tapes or discs, shall be stored and processed in such a way that unauthorized persons cannot retrieve the information by means of computer, remote terminal or other means;
(5) Precautions shall be taken to ensure that only authorized personnel are given access to on-line files;
(6)(i) The requesting agency shall instruct all personnel with access to the information regarding the confidential nature of the information, the requirements of this Part, and the sanctions specified in State unemployment compensation laws against unauthorized disclosure of information covered by this Part, and any other relevant State statutes, and
(ii) The head of each State agency shall sign an acknowledgment on behalf of the entire agency attesting to the agency's policies and procedures regarding confidentiality.
(b) Any requesting agency is authorized to redisclose the information only as follows:
(1) Any wage or claim information may be given to the individual who is the subject of the information;
(2) Information about an individual may be given to an attorney or other duly authorized agent representing the individual if the individual has given written consent and the information is needed in connection with a claim for benefits against the requesting agency; and
(3) Any wage or claim information may be given to another requesting agency as defined in this Part or to any criminal or civil prosecuting authorities acting for or on behalf of the requesting agency if provision for such redisclosure is contained in the agreement between the requesting agency and the State unemployment compensation agency.
(c) The requesting agency shall permit the State unemployment compensation agency to make on site inspections to ensure that the requirements of State unemployment compensation laws and Federal statutes and regulations are being met (sec. 1137(a)(5)(B)."

6. Pursuant to 20 CFR 603.7(b)(3) stated above, the State unemployment compensation agency does not grant permission of redisclosure of any wage or claim information to another requesting agency that is not a party to this agreement, or to any criminal or civil prosecuting authorities acting for or on behalf of the Agency.

7. The period within the current fiscal year in which this agreement is in effect is from July 1, 1990, to June 30, 1991, and may be renewed by agreement of the parties.

8. Either party may terminate this agreement upon thirty (30) days written notice to the other or immediately for cause.

9. This agreement may be modified or amended by mutual agreement of the Parties hereto.

DEPARTMENT FOR EMPLOYMENT SERVICES

By Darwin Allen
Commissioner

DEPARTMENT FOR SOCIAL SERVICES

By
Commissioner

EXAMINED AS TO FORM
AND SUBSTANCE:

Attorney
Office of the Counsel

APPROVED

Secretary
Cabinet for Human Resources

ATTACHMENT A

Access to On-line Computer Screens

All computerized files are restricted to authorized users. Access to these files can be gained only through entering both operator ID and password. Each person's operator ID and password are confidential and cannot be divulged to anyone else, including managers and supervisors. Any employee who uses another person's operator password or allows another person to use his/her operator password will be subject to immediate disciplinary action.

An employee must return the computer to the sign-on screen prior to leaving the terminal to avoid misuse by another. Any employee who leaves the terminal prior to "signing-off" will be subject to immediate disciplinary action.

My signature on this sheet certifies that I have read and understand the above policy statement and will adhere to the terms of the policy.

______________________________	____________________
Employee Signature	Date of Certification

My signature on this sheet certifies that I have discussed the above policy with this employee, and explained the importance of abiding by the policy.

______________________________	____________________
Supervisor Signature	Date of Certification

Attachment B

Department for Employment Services
Frankfort, Kentucky

Security Agreement for All Employees

LOCATION: ______________________________

I, ______________________________, hereby acknowledge that I fully understand the rules, regulations, and statutory law regarding confidentiality of claimant and employer records and other activities necessary in the administration and implementation of the unemployment insurance program. KRS 341.190(3) reads as follows: All letters, reports, communications, and other matters, written or oral, from employer or worker, to the secretary for human resources or any of his agents, representatives, or employees, or to the commission, or to any board or official functioning under this chapter, which have been written, sent or made in connection with the requirements and administration of this chapter, shall be absolutely privileged and shall not be the subject matter or basis for any suit for slander or libel in any court, but no employer or employee, or his representative, testifying before the commission, the secretary for human resources or any duly authorized representative thereof, shall be exempt from punishment for perjury. Information thus obtained shall not be published or be open for public inspection except to public employees in the performance of their duties, in any manner revealing or indicating the employing unit's identify, but any claimant at a hearing before the commission, the secretary for human resources or his duly authorized representative, shall be supplied with information from such records to the extent necessary for the proper presentation of his claim.

I also understand the penalties which can be imposed for violations of any rule, regulation, or law and fully understand the consequences if I violate any rule, regulation or law. KRS 341.990(1) reads as follows: Any employee of any state department who violates any of the provisions of KRS 341.110 to 341.230 shall be fined not less than twenty dollars ($20.00) nor more than two hundred dollars ($200) or imprisoned for not more than ninety (90) days, or both.

______________________________ ______________________________
Signature of Employee Date of Certification

My signature on this agreement certifies that I have discussed the meaning of this agreement with this employee, explained the importance of abiding by the policy, and the penalties for failing to do so.

______________________________ ______________________________
Supervisor's Signature Date of Certification

APPENDIX II.C

MSAs Sharing State Boundaries

MSAs SHARING STATE BOUNDARIES

METROPOLITAN STATISTICAL AREA	1988 POPULATION
Allentown-Bethlehem, PA-NJ	677,000
Augusta, GA-SC	396,000
Boston-Lawrence-Salem, MA-NH	4,110,000
Charlotte-Gastonia-Rock Hill, NC-SC	1,112,000
Chattanooga, TN-GA	438,000
Chicago-Gary-Lake County (IL), IL-IN-WI	8,181,000
Cincinnati-Hamilton, OH-KY-IN	1,728,000
Davenport-Rock Island-Moline, IA-IL	364,000
Evansville, IN-KY	281,000
Huntington-Ashland, WV-KY-OH	322,000
Kansas City, MO-KS	1,575,000
Louisville, KY-IN	967,000
Memphis, TN-AR-MS	979,000
Minneapolis-St Paul, MN-WI	2,388,000
New London-Norwich, CT-RI	259,000
New York-Northern New Jersey-Long Island, NY-NJ-CT	18,120,000
Philadelphia-Wilmington-Trenton, PA-NJ-DE-MD	5,963,000
Portland-Vancouver, OR-WA	1,414,000
Providence-Pawtucket-Fall River, RI-MA	1,125,000
St. Louis, MO-IL	2,467,000
Washington, DC-MD-VA	3,734,000

CHAPTER III

The Confidentiality Provisions Of State Unemployment Compensation Laws

ACKNOWLEDGEMENTS

The author of this chapter is David W. Stevens, Director of the Regional Employment Dynamics Center, Robert G. Merrick School of Business, University of Baltimore. He wishes to acknowledge the cooperation of the many individuals who made made it possible for this chapter to be completed in a timely and accurate manner. Each of the State Employment Security Agencies responded to his request for statutory and administrative information. Mike Dall and Ron Stewart discussed a draft of this paper at a September 5, 1991 meeting convened by the National Commission for Employment Policy to review the research findings from its feasibility study of the use of UI wage records for JTPA performance management. Nancy Bross, Gary Crossley, Jim Hanna and Walter Postle commented on a revised version of the paper. Bob Ainsworth, Barbara Oakley, and Carol Romero offered important suggestions for revision at multiple stages of the contract. Vince Geraci provided extraordinary collegial support in providing information about related activities that emerged during the course of the contract.

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CHAPTER III

The Confidentiality Provisions Of State Unemployment Compensation Laws

Introduction

Three years ago the National Commission for Employment Policy commenced a feasibility study on using Unemployment Insurance (UI) wage records, rather than telephone surveys, as a way to gather information on the long-term employment and earnings of participants in programs funded under the Job Training Partnership Act (JTPA).[1] At the outset, 11 States participated in the field aspects of this project. This number grew to 15 in a second phase, and to 20 during the past year.

One of the issues that emerged in this project was how to assure the confidentiality of employment and earnings information acquired from a State Employment Security Agency (SESA). Information on a former JTPA participant's employment and earnings can only be extracted from a State's UI wage records if an accurate social security number appears in both the JTPA and UI files. The Commission's Phase I report included the following statement.

> Abuse of confidentiality is not inevitable. Awareness of the privacy standards and of the sanctions that will be imposed for violating them will control most of the vulnerability of the data. Common sense caution in the handling of records will eliminate most of the risk that remains. It is reasonable to assume that the heightened awareness of the issue will lead to tighter security.[2]

A contractor report prepared for a July 1991 technical workgroup meeting convened by the U.S. Department of Labor's Employment and Training Administration, Division of Performance Management and Evaluation, stated that

> State employment security agencies have a great deal of latitude in how they administer their unemployment insurance programs. This latitude gives them flexibility in coordinating their activities with those of other programs, but it also means that data access agreements and logistics must be worked out at the State level. Data access is governed by both federal and State laws and regulations regarding confidentiality.[3]

This chapter documents the results of an investigation of the States' confidentiality laws and administrative practices.[4] Conceptual, legal and management issues are given balanced attention.

The relevance of State confidentiality laws and administrative practices for JTPA-specific applications is best understood by placing this use in an historical context. The Deficit Reduction Act of 1984 stipulated that

> employers in [each] State are required, effective September 30, 1988, to make quarterly wage reports to a State agency (which may be the agency administering the State's unemployment compensation law)...[5]

This amendment of the Social Security Act was explicitly intended to facilitate the verification of income and eligibility for selected federal benefit programs.

At that time, three-fourths of the States were already collecting this information through State Employment Security Agency (SESA) auspices, in support of their State-authorized and administered unemployment compensation programs. At present, only Massachusetts and New York (using a Tax Department Wage Reporting System) do not collect the required information through the SESA.[6] Michigan's Employment Security Commission requires covered employers to submit quarterly wage reports only in compliance with State and federal laws requiring an Income and Eligibility Verification System.[7]

The nearly universal availability of wage record data has triggered a substantial increase in the number of requests that a SESA gets from external parties for access to these data.[8] This torrent of requests, in turn, has resulted in an urgent need for each of the SESAs and the Unemployment Insurance Service in the Employment and Training Administration of the U.S. Department of Labor to determine the legal and administrative consequences of responses to these requests.

The Unemployment Insurance Service has taken the lead within the U.S. Department of Labor to develop a policy that protects the Service's compelling interest in the integrity of the original (and continuing) administrative purpose for collecting these data--the management of the Nation's unemployment compensation system in cooperation with the individual States.[9] Proposed regulations addressing this topic were published for comment on March 23, 1992 (57 FR 10064).

The U.S. Bureau of Labor Statistics has faced and resolved related issues for 100 years.[10] Today, the Bureau operates under the guidance of Commissioner's Order No. 2-80, which prescribes the rules for handling confidential Bureau records.[11] Recently, the complexity of complying with this policy has been documented in a retrospective review of an Employer Reporting Unit Match Study.[12] This research involved linking employer records maintained by the Bureau of Labor Statistics, the Social Security Administration and the Internal Revenue Service. One participant in this project recalls that "everything ... had to be invented. There are no textbook examples of interagency agreements on confidentiality. The solutions which the project team developed were carefully crafted to stay within the very restrictive IRS law and were implemented with an eye toward the reality of the environment."[13]

Discussing a paper titled "Disclosure Avoidance Practices at the Census Bureau," George T. Duncan observes that

> ... essentially the task is a decision-theoretic one that incorporates the motivations of the stakeholders. Since these stakeholders are various--including individual respondents, other government agencies, academic researchers, market researchers, commercial planners, the media, and lobbying groups--the [disclosure limitation] measures developed should be multivariate in nature.[14]

An important step in the crafting of useful textbook examples of interagency agreements on confidentiality, and in understanding stakeholder motivation, is to assure that all parties use a common language. The next section addresses this issue.

Confidentiality Issues[15]

DIFFERENT PERSPECTIVES ON CONFIDENTIAL INFORMATION

Reynolds offers three rationales for investigating the confidentiality issue:[16]

- public concern about the ability to maintain a "sphere of privacy" and avoid surveillance;[17]
- the anticipated or revealed distribution of costs (harms) and benefits (rewards) resulting from disclosure; and
- respect for appropriate standards of interpersonal conduct.

Reynolds also distinguishes three types of informed consent, which sharpen the discussion with respect to JTPA-specific applications:

- **active** informed consent, which requires the well known conditions of rational judgement, full information about the "conditions associated with the decision", absence of coercion and full awareness of potential **negative** [emphasis added] consequences that could result from the decision;[18]
- **passive** informed consent, which is assumed in the absence of any contradictory action; and
- **proxy active** informed consent, which allows an intermediate authority (e.g. a government official) to make an explicit, or active, determination that passive informed consent is applicable.

The relevance of these distinctions for the use of UI wage records by the JTPA system is apparent--the proxy active consent approach is the most frequent, although not universal, practice that has been adopted to date by the SESAs.

'PRIVATE INFORMATION' AND HARM

The SESAs and the Unemployment Insurance Service express a shared concern about the harm that might arise from public disclosure of confidential administrative information.

> Substantial state and private resources are expended and utilized in compiling, reporting, processing, and storing information with the [Utah] Department [of Employment Security]. The primary purpose for this extensive effort is to provide an unemployment insurance system by which unemployed individuals are paid benefits and employers are taxed to finance the program. Any policy governing the disclosure of wage and claim information must make allowance for the very important consideration of **the potential chilling effect** [emphasis added] disclosure will have on both employers and claimants.[19]

Reynolds identifies four categories of potential harm that might result from public disclosure of information:

(1) penetration of the privacy sphere;

(2) disclosure that is personally embarrassing;

(3) disclosure that results in a decrement in the individual's situation; and

(4) indirect loss of status that results from a group affiliation or identification.

With respect to the use of UI wage records within JTPA, the first and fourth of these categories appear to be more relevant than the second and third; and the privacy sphere issue is relevant only if a person's identity may readily be ascertained by an investigator.

One intended side-effect of using UI wage records for JTPA purposes is to affect the future status (i.e., public image) of past, present and future JTPA participants. However, the possibility of indirect harm must be weighed against two other considerations:

- the possibility that image enhancement will result from the availability of better management information; and
- the previously cited moral principle of "adherence to appropriate standards for interpersonal conduct."

Reciprocity is an important element in the social contract. If information about employment and earnings can be used **without revealing the identity of any person or business** to improve the management of a public program, then there is no potential chilling effect on the States' unemployment compensation systems.

RATIONALES FOR ORGANIZATIONAL CONFIDENTIALITY

Reynolds offers two rationales for organizational confidentiality:

- "the economic conception of organizations as autonomous agents in competitive markets," which focuses on the need for confidentiality to permit equitable competition; and
- the fact that "modern societies are now seen as societies of organizations, or juristic persons, where most relationships between the individual and the state are mediated by organizations ..."[20]

There is nothing in the JTPA use of UI wage records that appears to threaten the competitiveness of the organizations that are required to submit the information to a SESA. Indeed, it appears that "past research access to many privileged, confidential and anonymous data sets in the United States has not produced a single case of harm involving the breach of the anonymity, confidence, or privacy of any respondent."[21]

There does not appear to be any conceptual, ethical or moral barrier to the use of wage records within JTPA, so long as individual and organizational identities are not revealed to the public. The next section provides a bridge from abstract ethical and legal principles to day-to-day practice in SESAs.

State Laws

There is nearly universal core content in the provisions of State laws that regulate SESA records and reports. Appendix III.A contains a summary of these provisions.

Each employing unit is required to keep accurate records containing the information that is necessary to administer each State's law. The subsequent handling of this information is controlled by the uniform stipulation that it shall be held confidential, except to the extent necessary for the proper presentation of the contest of a claim, **and shall not be published or be open to public inspection, other than to public employees in the performance of their duties, in any manner that reveals an individual's or employing unit's identity.** The words "published", "open to public inspection" and "public employees in the performance of their duties" are obviously subject to interpretation. The consequences of this are discussed in the following pages.

Stated briefly, a thorough review of State laws and administrative documents, personal experience in attempting to acquire wage-record data from individual State agencies, and statements of interested colleagues throughout the country, indicate that

- no State law explicitly bars the release of wage-record data by a SESA to the administrators of a Job Training Partnership Act program;
- a few of the State laws explicitly authorize the release of wage-record data by a SESA to the administrators of a Job Training Partnership Act program (e.g., Arkansas, Iowa, Minnesota and West Virginia);
- most of the State laws grant the SESA's executive officer discretionary authority (i.e., proxy active consent) to release wage-record data for specific program purposes that meet the SESA's own confidentiality standards and that carry the SESA's sanctions; and
- a few of the State laws are silent with respect to legislative intent regarding this release of administrative records.

The following are State-specific complements to the common core wording of confidentiality stipulations. They exemplify what a thorough State-by-State examination of the statutory provisions reveals:

- assignment of agent status to designated third parties (AZ, CO and KY);
- authorization of research uses of the data (AR, CA, MI, NJ and OR);
- JTPA-specific authorization (AR, IA, MN and WV);
- administrative discretion granted (AL, DL, GA, HA and PA); and
- specified exceptions only (MN and OH).

Other State laws include different combinations of these basic features.

The assignment of agent status illustrates the concept of proxy active consent in day-to-day SESA practice. Third-parties are given the authority to act as responsible custodians of an agency's administrative records. Here, intermediate entities are not viewed as the public from whom

BEST COPY AVAILABLE

information is to be withheld. Instead, they are given legal status to stand between the SESA and the public, i.e., they are an extension of the SESA for this purpose.

State-specific authorizations of research uses of administrative records can be placed on a continuum: from legislative approval of internal research use, through unspecified agents, to Arkansas' designation of a single university campus!

New Jersey's administrative policy illustrates the intent of these provisions.

> The Division of Unemployment and Disability Insurance will permit the release of certain data to public and private organizations such as colleges, universities or foundations to perform research which can be expected to benefit the State's residents. The administrator of the agency engaged in the research must certify in writing that the confidentiality of the disclosed information will be maintained. Usually, the Department of Labor will draft a specific agreement whereby the research facility agrees to comply with the statutory and regulatory provisions relating to confidentiality.[22]

The remaining three types of core language extension--(1) JTPA-specific authorizations; (2) granting of administrative discretion; and (3) restriction to specified exceptions only--represent a continuum of flexibility from "always", through "maybe", to "never", if JTPA is not one of the specified exceptions.

In the next section, the State laws are complemented by an examination of administrative documents that were submitted to the author by 26 of the SESA administrators. These documents reflect the administrators' efforts to translate law into everyday practice.

Administrative Documents

Arkansas' Attorney General recently offered the following opinion to the Administrator of Arkansas' Employment Security Division: "... The existence of a compelling public interest in disclosure must be determined on a case by case basis. As a general matter, however, legislative intent is that public disclosure is favored and nondisclosure is the exception. ..."[23]

This contrasts with a much earlier **Nevada** Attorney General's opinion that "where legislature has provided exceptions to operation of statute, there is presumption that no other were intended";[24] and with the **Utah** Department of Employment Security Chief Legal Counsel's statement cited in endnote 19 of this chapter.

The Purpose paragraph of the **Ohio** Bureau of Employment Services' Administrative Directive on confidentiality states that "the policy stated here is a significant change from earlier policy and is the result of amendments to the Ohio Unemployment Compensation Law passed by the General Assembly in 1989."[25] This document offers the most comprehensive statutory references and review of policy considerations among those that were reviewed. In a Background section the Directive states that "previous bureau policy on confidentiality strictly prohibited release of employer and individual information except for purposes specifically required by federal or Ohio law. Revisions to the Ohio Revised Code passed in 1989 provide authority to the administrator to release or exchange confidential information for purposes of employment and training."[26]

In a section titled Principles of the Confidentiality Policy, an Attachment to the Administrative Directive states that "the bureau recognizes that it has different and sometimes conflicting responsibilities with respect to confidential information. The bureau has a responsibility to employers and individuals who provide the information ... The bureau also has a responsibility to use its resources, including information, to reduce unemployment and to provide and improve employment and training services. ... As a means of balancing these responsibilities, the bureau adopts the following principles regarding confidentiality of information: 1. It is the policy of the Bureau of Employment Services that confidential information **shall** [emphasis added] be released only for purposes of providing employment and training services or as otherwise required or permitted by federal or state statute. ... Release of confidential information otherwise permitted and not required by federal or state statute **shall be at the discretion of the administrator** [emphasis added] in accordance with section VI below."[27] This document further states that "[i]t is the policy of the Bureau of Employment Services that any request for release of confidential information that is not specifically required or permitted by federal or state statute, or that is not clearly for purposes of employment and training services, **shall be denied** [emphasis added]."[28]

The Utah Department of Employment Security's administrative document[29] carefully reviews legal and policy considerations and offers recommendations based on specified requirements for disclosure of information and requirements for safeguarding disclosed information.[30]

These administrative interpretations exemplify the commitment of the individual SESAs to achieving a workable balance between individual and organizational rights and societal interests.

Conclusions

Both the State laws and administrative documents that have been examined demonstrate that the Nation's unemployment compensation system is made up of basically autonomous SESAs and a federal Unemployment Insurance Service. Interstate differences, similar to those that have been described here can be expected to persist, although the specific nature of these differences will change.

The purpose served by (1) this chapter, (2) the National Commission for Employment Policy's larger project on the feasibility of using UI wage records within the JTPA system, and (3) the Unemployment Insurance Service's efforts to develop a practical policy that balances often competing interests, is to inform the SESAs and related interested parties about the actions various parties have taken to deal with a common problem.

No one should expect that an improved flow of information among the States will lead to a quick or total convergence of State laws or administrative practices. However, the differences that remain will more accurately reflect genuine disagreements about priorities among competing claims regarding confidentiality and disclosure.

With respect to potential uses of Unemployment Insurance wage records within the JTPA system, this chapter offers ample reference to authoritative sources of information about how these records can be managed in full compliance with State laws and administrative regulations.

Endnotes To Chapter III

1. John Baj and Charles E. Trott, A Feasibility Study of the Use of Unemployment Insurance Wage-Record Data as an Evaluation Tool for JTPA, Research Report Number 90-02, Washington, D.C.: National Commission for Employment Policy, January 1991.

2. Ibid, p. 12.

3. Nancy Bross, "Using Unemployment Insurance Wage Record Data for JTPA Postprogram Performance Standards," Chapel Hill, NC: Research and Evaluation Associates, Inc., July 1991, p. 6.

4. Every state and the District of Columbia provided a copy of the pertinent statutory section(s). Thirty-one of the SESAs submitted the entire UI statute, and twenty-six of the SESAs sent related administrative documents.

5. P.L. 98-369, Sec. 1137.

6. Thomas A. Rodick, State of New York Department of Labor, states that "New York is currently considering moving towards a wage record system and is exploring possible approaches"; letter dated March 14, 1991. Massachusetts is also known to be exploring the feasibility of such a move.

7. Carol M. Haupt, Director, Bureau of Unemployment Insurance, Michigan Employment Security Commission; letter dated May 31, 1991.

8. Ellen O'Brien Saunders, Administrative Directive No. 5-91, "Confidentiality of Bureau Information," Columbus, Ohio: Ohio Bureau of Employment Services, 1991. Included in Section IV (Release of Confidential Information Required or Otherwise Permitted Under Federal or State Law) is the following listing of federal required or permitted releases unrelated to providing and improving employment and training services--the Social Security Act, the Internal Revenue Code, the Food Stamp Act, and the Railroad Retirement Act.

9. Virginia Chupp, "Disclosure of UI Wage and Benefit Information--Federal Perspective," presented at the annual meeting of Unemployment Insurance Directors, San Diego, California, 1989. Chupp includes the following statement: "We are concerned about these proliferating demands on UI wage records for several reasons. Can confidentiality of the data be maintained? What is the potential impact on the UI program if it becomes the primary source of data and data collection for non-UI purposes? What are the privacy implications of the widespread non-UI use of data collected for UI purposes? Are the States obliged to provide data collected in connection with the administration of their UI laws to others for non-UI purposes in the absence of a specific Federal law provision?"

10. Thomas J. Plewes, "Confidentiality Policy for Establishment Surveys," 1989. Plewes states that "in the Bureau of Labor Statistics, the idea of guaranteeing the privacy of responses to BLS surveys and studies by businesses had its origin with our very first Commissioner, Carroll Wright in the late 1800's. Commissioner Wright didn't need a bunch of lawyers to study the issue back in those wonderful days. He gave respondents the most ironclad of guarantees of the protection of confidences--his own good word."

11. This 1980 Order states that "in conformance with existing law and Departmental regulations, it is the policy of the Bureau of Labor Statistics that data collected or maintained by,

or under the auspices of, the Bureau under a pledge of confidentiality shall be treated in a manner that will assure that individually identifiable data will be accessible only to authorized persons and will be used only for statistical purposes or for other purposes made known in advance to the respondent."

12. Thomas B. Petska and Lois Alexander, "Interagency Agreements for Microdata Access: the ERUMS Experience," Statistical Policy Working Paper 20: Seminar on Quality of Federal Data, Part 3, Washington, D.C.: Office of Management and Budget, 1991, pp. 291-300.

13. Thomas J. Plewes, "Discussion," Statistical Policy Working Paper 20: Seminar on Quality of Federal Data, Part 3, Washington, D.C.: Office of Management and Budget, 1991, p. 326. Plewes also comments that "the literature pays little attention to issues surrounding confidentiality of business records. Without such a foundation, the statistical agencies have mostly assumed that the issues of confidentiality of business records are the same as those for individuals."

14. George T. Duncan, "Discussion," Statistical Policy Working Paper 20: Seminar on Quality of Federal Data, Part 3, Washington, D.C.: Office of Management and Budget, 1991, p. 385.

15. This section draws heavily upon Paul D. Reynolds, Privacy and Advances in Social and Policy Science: Balancing Present Costs and Future Gains, a revision of a paper originally presented at a Conference on Data Access Through Disclosure Limitation, convened by the National Academy of Sciences in Washington, D.C., March 1-2, 1991.

16. Ibid, p. 3.

17. A 1977 "Report of Ad Hoc Committee on Privacy and Confidentiality" states that "the public is entitled to know what the conditions of privacy and confidentiality are for each statistical undertaking, so that public support and cooperation can be based on clear understanding. If the public does not understand the intent of the statistician to protect the data and the existence of adequate safeguards to back up this intent, the capability to gather and analyze data will be impaired." See: The American Statistician, 31:2, May 1977, p. 73.

18. This asymmetry is surprising, since on page 22 Reynolds concludes that "the extent to which there is a popular appreciation of the benefits of responsible social science research is an open question."

19. Memorandum from K. Allen Zabel, Chief Legal Counsel, Utah Department of Employment Security, addressed to the Agency's Administrator, Floyd Astin; dated April 1, 1988, p. 3.

20. Reynolds also states on page 26 that "most business organizations seem to be concerned about confidential data with respect to three types of external agents: tax collector(s), regulatory agencies, and competitors. Depending upon the firm and its situation, different information about the organization may be considered more or less sensitive."

21. Dean R. Gerstein, R. Duncan Luce, Neil J. Smelser and Sonja Sperlich (eds.), The Behavioral and Social Sciences: Achievements and Opportunities, Washington, D.C.: The National Academy Press, 1988, p. 233.

22. Michael P. Malloy, Director, Division of Unemployment and Disability Insurance, New Jersey Department of Labor, letter dated April 2, 1991.

23. Mary B. Stallcup, Attorney General, State of Arkansas, Opinion No. 91-003, dated January 10, 1991, p. 2.

24. Nevada unemployment compensation law, 612.265, p. 14057; Attorney General Opinion dated April 27, 1964.

25. Ohio Bureau of Employment Services, Administrative Directive No. 5-91, "Confidentiality of Bureau Information," Columbus, Ohio, dated January 10, 1991, 2 pp. plus attachments.

26. Ibid, p. 1.

27. Ohio Bureau of Employment Services, Policy on Release of Confidential Information, Columbus, Ohio, 1991, p. 1.

28. Ibid, p. 2.

29. K. Allan Zabel, loc cit.

30. Ibid, Appendix C.

APPENDIX III.A

State-Specific Language

State-specific Language

Statutory Provisions

This Appendix presents State-specific language that refers to privacy and confidentiality requirements of the SESAs' enabling legislation. All of the States are not cited here because there is a substantial amount of uniform, or nearly identical, language in the individual statutes.

State-specific language is introduced in a building-block manner, which is intended to highlight the variety of approaches that have been taken toward a common goal--to balance individual and organizational rights to privacy or confidentiality and other agency-specific and societal interests. The States are presented in alphabetical order.

Alabama's law reveals the first language that differs from the standard core content described in the body of the chapter. It provides that

> the director may, at his discretion, release information regarding employment, wages, wage rates and unemployment to institutions of higher education of this state, or a federal governmental corporation upon payment of reasonable cost therefor, for the purpose of making economic analyses; provided, that such institution or corporation agrees that information so obtained will not be published or released by it to any person or persons in such manner as to permit the identification of any specific individual or employing unit.[1]

This is a statutory example of the concept of proxy active consent, in which public officials act as responsible custodians with respect to individual rights. It also indicates one legislative approach to interpreting the core concept of "release to the public". Here, intermediate analytical entities are not viewed as the public; they are given agent status by the SESA.

Arizona's law adds to the core disclosure language the phrase "...or to an agent of the department designated as such in writing for the purpose of accomplishing certain of the department's functions ...".[2] No further legislative definition of these certain allowable functions is made. Arizona's law further provides that unit record information can be released "to agencies of the federal government, this state or any political subdivision of this state for official purposes. All information received by a governmental agency pursuant to this paragraph shall be maintained as confidential."[3] These provisions serve the same purpose as Alabama's law--they permit the release of administrative records to intermediate agents who are then required to respect the binding public release standards.

Arkansas' law provides that information obtained from employing units "...shall be held confidential and shall be protected by government privilege."[4] The concept of proxy active consent seems to mean that government privilege covers both the privilege to withhold and the privilege to release. This law further stipulates that "notwithstanding any other provisions of this law, information obtained in the administration of this law shall be disclosed to the extent permitted in accordance with ... the JTPA, Act of 1982, Public Law 97-300 as amended, and implementing regulations promulgated thereunder by the United States Department of Labor ...".[5]

California's law provides that "...information may be tabulated and published in statistical form for the use and information of state departments and the public, except that the name of the employing unit or of any worker shall never be divulged in the course of the tabulation or publication."[6] This illustrates a legally defensible interpretation of the core concept of confidentiality that permits many uses of the administrative records.

Colorado's law extends access to its records "...to an agent of the division designated as such in writing for the purpose of accomplishing certain of the division's functions"[7], which offers the agency discretionary authority to determine the scope of release that will be permitted.

Delaware's law provides that "the Department shall disclose information, the release of which is otherwise prohibited, to officials and employees of governmental agencies in the performance of their official duties, **as it may by regulation permit** [emphasis added], provided: a. The regulation specifies the type of information to be released and the uses to which the information may be put, consistent with the administration of the unemployment laws of Delaware and other legitimate governmental interests; ...; c. In addition to the requirements of this paragraph, all other requirements with respect to the confidentiality of information obtained in the administration of this section **and the sanctions imposed for improper disclosure shall apply to the use of such information by officials and employees of agencies to which information is released pursuant to this paragraph** [emphasis added]."[8]

Georgia's law is explicit: "This article is intended to reconcile the free access to public records granted by Article 4 of Chapter 18 of Title 50, relating to the inspection of public records, and the discovery rights of judicial and administrative systems with the historical confidentiality of certain records of the department and the individual's right of privacy. ...It is the intent of this article to define a right of privacy and confidentiality as regards individual and employing unit records and other records...[and] it is the intent of this article to define also certain exceptions to the right of privacy and confidentiality."[9] The law further states that "The Commissioner shall have the authority to adopt, amend, or rescind rules and regulations interpreting and implementing the provisions of this article. In particular, these rules shall specify the procedure to be followed to obtain information or records to which the public has access under this chapter."[10] Illustrative third-party uses of data are identified in the law, but these are not restrictive in the sense that other uses are prohibited.

Hawaii's law provides that "subject to such restrictions as the director may by regulation prescribe, the information and determinations may be made available to : ...(4) Any other federal, state or municipal agency if the director deems that the disclosure to the agency serves the public interest."[11] However, the statute later stipulates that "no disclosure of information obtained at any time from workers, employers, or other persons or groups in the course of administering the state employment security program under .... shall be made directly or indirectly except as authorized by [subsequent sections of the law].[12] A separate section covers **disclosure of quarterly wage detail information.** This section provides in part: "(a) The department shall disclose quarterly wage detail information to authorized requesting agencies which have entered into an agreement in accordance with subsection (b) for purposes deemed by the department to be ...reasonably necessary for the proper administration of the requesting agency's program. (b) The agreement between the department and the requesting agency **shall include, but not be limited to:** ... [emphasis added and six provisions omitted here]. (c) Requesting agencies shall comply with the following measures to protect confidentiality of the information against unauthorized access or disclosure ... [six provisions omitted here]. (d) The requesting agency shall permit the department and the U.S. Department of Labor (and other authorized federal officials) to make onsite inspections to ensure that the requirements of this section are being met."[13] This section appears to offer language that could be used to amend any State statute in cases where Hawaii's intent is shared and a legislative approach is desired.

Iowa's law is explicit with regard to the relevance of a person's consent for the release of confidential information: "An open record is routinely disclosed without the consent of the subject. To the extent allowed by law, disclosure of a confidential record may occur without the consent of the subject. Following are instances where disclosure, if lawful, will generally occur without consent of the subject: a. For a routine use ...[which is defined in a subsequent section to mean] the disclosure of a record without the consent of the subject, for a purpose which is compatible with the purpose for which the record was collected... To the extent allowed by law, the following uses are considered routine uses of all agency records: ... d. Direct disclosure of information with an attempt to provide notification to the subject and for a purpose consistent with Iowa Code chapter 96 to any of the following: ...(8) A political subdivision, governmental entity, or nonprofit organization having an interest in the administration of job training programs established pursuant to the federal Job Training Partnership Act."[14] This appears to serve as a model for legislatively codifying approved uses of private information, where **compatibility** with the purpose for which the record was collected is the approval criterion that is invoked.

Kansas' law provides that "information shall be disclosed as required by any other statute of the federal government or the state of Kansas if the request for information is in writing and the statutory authorization for the release of the requested information is cited in the written request."[15]

Kentucky's statute includes the phrase "information may be made available to public employees in the performance of their duties, but the agency receiving the information shall assure the confidentiality, as provided for in this section, of all information so released."[16] This is another approach to the concept of intermediate agent, upon whom the agency's own confidentiality standards are placed.

Michigan's law provides that "subject to restrictions as the commission may prescribe, by rule or otherwise, the commission may also make such information available to colleges, universities, and public agencies of this state for use in connection with research projects of a public service nature. A person associated with such institutions or agencies shall not disclose the information in any manner which would reveal the identity of any individual or employing unit from or concerning whom the information was obtained by the commission."[17] This repeats, in an explicit recipient context, the legislative establishment of an approved intermediary agent.

Minnesota's law represents an explicit "exceptions only" approach: "Except as hereinafter otherwise provided, data gathered ...are private data on individuals or nonpublic data not on individuals ..., and may not be disclosed except pursuant to this subdivision or a court order. These data may be disseminated to and used by the following agencies without the consent of the subject of the data: (a) state and federal agencies specifically authorized access to the data by state or federal law; ...(f) the department of labor and industry on an interchangeable basis with the department of jobs and training subject to the following limitations and notwithstanding any law to the contrary: (1) the department of jobs and training shall have access to private data on individuals and nonpublic data not on individuals for uses consistent with the administration of its duties ..."[18]

Nevada's unemployment compensation statute contains, in an Annotations section, Attorney General's Opinions, one of which states that "where legislature has provided exceptions to operation of statute, there is presumption that no other were intended."[19] This strict adherence to an unobserved concept of legislative intent stands in sharp contrast to other State laws that give agency administrators wide latitude to exercise proxy active consent.

Oklahoma's law contains a stipulation similar to Nevada's--"it is further provided that the provisions of this section shall be strictly interpreted and shall not be construed as permitting disclosure of any other information contained in the records and files of the Commission."[20]

Oregon's law provides that "...information secured from employing units pursuant to this chapter may be released to agencies of this state, and political subdivisions acting alone or in concert in city, county, metropolitan, regional or state planning to the extent necessary to properly carry out governmental planning functions performed under applicable law. Information provided such agencies shall be confidential and shall not be released by such agencies in any manner that would be identifiable as to individuals, claimants, employees or employing units."[21]

Pennsylvania's law provides that "disclosure of records or information may be authorized by specific instruction of the Department or Board in the following cases: ... (7) To individuals, organizations and agencies, or for purposes other than as specified in paragraphs (1)-(6) of this section, **if such a disclosure shall not impede the operation of, and is not inconsistent with the purposes of the employment security program** [emphasis added], and is authorized in writing in individual cases by the Executive Director."[22] This language recognizes that explicit legislative stipulations may not cover specific requests for access to administrative records; requests that are consistent with an Executive Director's custodial interpretation of legislative intent, and individual and organizational passive consent.

West Virginia's law provides that "...the commissioner may provide information thus obtained to the following governmental entities for purposes consistent with state and federal laws: ... (4) Those agencies of state government responsible for economic and community development; secondary, post-secondary and vocational education; vocational rehabilitation, employment and training, including, but not limited to, the administration of the perkins act and the job training and [sic] partnership act; ...".[23]

Excerpts from 17 State laws have been presented in the first part of this Appendix. They are examples of the confidentiality stipulations that were found in a review of the 50 State statutes plus the District of Columbia.

In all cases, the central issue is whether transfer of administrative records to an external party constitutes release to the public; and, if so, whether the presence of a unique identifier (e.g. a social security number) on a record may reveal an individual's identity, or creates a presumption that the identity may readily be ascertained.

In the next part of this Appendix, these State laws are complemented by an examination of administrative documents that were submitted by 26 of the SESA administrators. These documents reflect the administrators' attempts to translate law into everyday practice.

Administrative Documents

California's Employment Development Department Information Security Officer states: "There are two broad categories of issues that arise under the confidentiality provisions of the Unemployment Insurance Code. The first is concerned with the conflict between the law and the necessity or desirability of releasing information which is confidential under the Unemployment Insurance Code to an entity outside the Employment Development Department. There is no body of litigation relating to this particular issue. However, there is case law relating to the second issue, which involves third parties seeking to have the Department disclose confidential information pursuant to judicial and administrative proceedings. These are generally termed discovery proceedings."[24]

Colorado's Department of Labor and Employment provided the author with a copy of the Information and Instructions Manual for their CA-TOP SECRET Security System software package that is resident on the State's mainframe computer. This was complemented by the Department's implementation package for third-party access to the Department's computer systems.[25]

Delaware's Department of Labor provided a one-page Vendor Agreement of Non-Disclosure form, which documents the purpose and manner of intended use and offers assurance that the Department's own non-disclosure requirements are met.

Florida's Department of Labor and Employment Security provided a memorandum authored by their General Counsel, which states that: "Any confidential information so released [to public employees in the performance of their public duties] should continue to be held confidential and not be subject to further release. In fact, it may be necessary to obtain an agreement to this effect...If any information is released the person or entity that it is released to should agree to abide by the confidentiality provisions [of the Department], and be made aware of the penalties for release of information ..."[26]

Idaho's Department of Employment provided a copy of the section of their Administrative Procedure Manual that covers disclosure of information. This document spells out authorities, and requirements for written agreements; and summarizes current disclosure of information agreements that have been approved by the Department.[27]

Illinois' Department of Employment Security provided the Final Report and Recommendations of the Sub-Committees of the IDES Data Release Policy Committee, and related procedural documents.[28]

Indiana's Department of Employment and Training Services provided a communication memorandum covering contracting procedures for the release of confidential information from the Department's automated records.[29]

Michigan's Employment Security Commission provided a three-page matrix that describes their policies for release of Income and Eligibility Verification System Information.[30]

Minnesota's Department of Jobs and Training provided a chapter from Minnesota's Government Data Practices Act, which is intended to serve as a guide to agency employees in responding to requests for the release of administrative records.[31] This document contains definitions that appear to be inconsistent with those adopted elsewhere (e.g., in Reynolds' paper and in The Common Federal Policy on the Participation of Human Subjects in Research). Here, **confidential data** is defined as "not-public data which isn't accessible to the individual data subject", and **private data** is defined as "data which is not-public and is accessible to the individual data subject". **Not-public data**, in turn, is defined as "government data which is classified by statute, federal law, or temporary classification as confidential, private, nonpublic, or protected nonpublic".

Mississippi's Employment Security Commission provided an Executive Bulletin that covers information disclosure.[32] This Bulletin contains examples of requests for data and suggested responses. Among the examples is: "J. Any information request, not already covered hereinabove, which is made by a public employee in the performance of his public duties may be acceded to under the following circumstances: (a) The request is for specific information, and is written on official letter-head stationery; (b) States the reason the information is needed; and (c) That such necessity arises from the requesting individual's performance of his public duties. If these criteria are met the information may be furnished by transmittal letter which states that

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the described information is transmitted pursuant to the letter request, and that the information is delivered for the purposes there stated only, and will otherwise be held in strict confidence by the recipient."[33]

Nebraska's Department of Labor provided the portion of its Policy Manual that addresses protection of confidential information, and a five-page Nebraska Sample Agreement form that is used for one-year renewable approval for the transmittal of administrative records.[34]

North Carolina's Employment Security Commission provided its policy document that covers disclosure of information.[35] Included in this policy statement is the Chief Counsel's official opinion that "the Federal Privacy Act does not apply to the Employment Security Commission of North Carolina. That Act applies only to federal agencies. No information shall be released [or withheld?] because of any provisions contained in the Federal Privacy Act."[36] This document also states that "it is the Policy of the Employment Security Commission of North Carolina to permit disclosure of information from the files and records of the Employment Security Commission of North Carolina: ... C. To any officer or employee (including law enforcement offices) of any agency of the federal government or of a state or territorial government, lawfully charged with the administration of a federal, state, or territorial law, but only for purposes reasonably necessary for the proper administration of such law and only after receiving a written request for information."[37]

Oregon's Employment Division provided a copy of its Confidentiality Handbook,[38] which includes an Application for Confidential Information form.

Tennessee's Department of Employment Security provided several Attorney General opinions and an Unemployment Insurance Directive addressing disclosure of information issues.[39] This Directive is intended to serve the needs of field office personnel, and does not offer new information of use here.

Endnotes To Appendix III.A

1. Alabama Unemployment Compensation Statute, 25-4-116, Records and reports of employing units, p. 10.

2. Arizona Employment Security law, Chapter 5, 23-721, p. 51.

3. Ibid, 41-1958, p. 106.

4. Arkansas Employment Security law, 11-10-314, p. 34.

5. Ibid, p. 37.

6. California Unemployment Insurance Code, 1989, 1094, p. 84.

7. Colorado unemployment compensation law, 8-72-107, p. 12.

8. Delaware Employment Security Commission, 19, 3125 (4), p. 11.

9. Georgia unemployment compensation law (H.B. No. 303), Article 4, 34-8-120, pp. 59 and 60.

10. Ibid, 34-8-123, p. 63.

11. Hawaii unemployment compensation law, 383-95, p. 59.

12. Ibid, 12-5-211, p. 131.

13. Ibid, 12-5-220, p. 132.

14. Iowa Job Service [345] unemployment compensation law, Chapter 8, pp. 2 and 3.

15. Kansas Division of Employment, Article 4, Disclosure of Information, 50-4-2, p. 391. Paragraph (5)(d) stipulates that "[i]n all cases where an application for information is granted, the information shall be furnished in written form"!

16. Kentucky unemployment compensation law, 341.190.(3)(a), p. 38.

17. Michigan Employment Security Act, 421.11, p. 7.

18. Minnesota unemployment compensation law, 268.12-Subd. 12. Information., p. 47.

19. Nevada unemployment compensation law, 612.265, p. 14057. The Attorney General's opinion is dated April 27, 1964.

20. Oklahoma unemployment compensation law, Section 4-508. Information to be kept confidential-disclosure, p. 55.

21. Oregon unemployment compensation law, 657.665.

22. Pennsylvania Employment Security Administration law, Chapter 61, 34, 61.23. Furnishing of information, p. 1385.

23. West Virginia Enrolled Committee Substitute for Senate Bill No. 132, in effect March 8, 1991, Article 10, 21A-10-11 (c)(4), p. 83.

24. Attachment 2, "Significant Case Law Interpretations of the Confidentiality Stipulations of the California Unemployment Insurance (UI) Statute," provided by Esther Lujan, Information Security Officer, California Employment Development Department, October 30, 1990, p. 1.

25. Colorado Department of Labor and Employment, CA-Top Secret Security System and System Access Procedures, Local Security Coordinator Information and Instructions Manual, January 1991 (and accompanying procedural documents).

26. Stephen D. Barron, General Counsel, "Release of Confidential Information," memorandum dated July 13, 1989.

27. Idaho Department of Employment, Administrative Procedure Manual, Part II, 800-899, Communications, Disclosure of Information, Revised November 1989.

28. Robert Malooly et al., Final Report and Recommendations of the Sub-Committees of the IDES Data Release Policy Committee, August 31, 1989; and Sally A. Jackson, Director, Data Release Information Booklet, which includes instructions and forms for completing a Shared Data Agreement.

29. DETS Communication 90-18, July 27, 1990.

30. "Release of Information by MESC Under Current Provisions of MES Act, cover letter dated May 31, 1991.

31. Minnesota Government Data Practices Act, M.S. 13, chapter titled "Data Access/Client Information", dated October 1990, 12 pp..

32. Mississippi Employment Security Commission, Executive Bulletin No. 89-12, dated October 1, 1989, 5 pp. + attachment.

33. Ibid, p. 4.

34. Nebraska Department of Labor, Policy Manual, Chapter V, Section K, "Protection of Confidential Information", dated February 10, 1989, 2 pp.; and Nebraska Sample Agreement, 5 pp..

35. Employment Security Commission of North Carolina, Interpretation No. 254, "Disclosure of Information", dated May 17, 1983.

36. Ibid, p. 3.

37. Ibid, pp. 1-2.

38. Oregon Department of Human Resources, Employment Division, Confidentiality Handbook, dated January 31, 1985.

39. Tennessee Department of Employment Security, Unemployment Insurance Directive DI 90-01, dated June 12, 1990, 4 pp. + attachments.

CHAPTER IV

A Study of the Use of Unemployment Insurance Wage-Record Data as an Evaluation Tool for JTPA

Phase II Activities

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CHAPTER IV

A Study Of The Use Of Unemployment Insurance Wage-Record Data As An Evaluation Tool for JTPA

Introduction

In May of 1988 the National Commission for Employment Policy (NCEP) launched a multi-state, multi-year project to examine the potential for using Unemployment Insurance (UI) wage-record data as an evaluation tool for programs funded under the Job Training Partnership Act (JTPA). The State of Illinois served as the clearinghouse for the data collection effort. This chapter presents the findings from Phase II of the project.

Two broad analytical goals have guided this study:

- To compare the results of the proposed UI wage-record approach to the results of the current telephone survey approach used by the U.S. Department of Labor (DOL) to measure post-program outcomes under JTPA;
- To describe the pre-program and post-program employment and earnings experiences of JTPA participants, by demographic subgroups of participants and types of services provided.

Achievement of these goals depended on the successful development of a multi-state database which integrated UI and JTPA information. Thus, a major focus of Phase I was to demonstrate the technical feasibility of linking records from the State JTPA and UI systems. Eleven States joined the NCEP in this effort.[1] The study showed that the technical problems of linking records from the two data systems were relatively minor and easily resolved. Even those States that had little or no experience with integrating JTPA and UI data were successful in establishing and executing the necessary agreements and procedures for exchanging data.

Phase II of the project is both an extension and expansion of the first phase. In Phase II, four new States were added to the list of already participating States -- Georgia, Kentucky, Maryland, and Texas. In addition, the database was expanded to include participants who left the program during Program Year 1987 (PY87). Finally, for the participants who left the program during Program Year 1986 (PY86), four more quarters of UI data were obtained.[2]

With regard to technical feasibility, the broad findings and conclusions from Phase II were the same as those from Phase I: in summary, participating States were able to accomplish the required data linkages.[3] The Phase II effort revealed that the problems which States experienced in generating the JTPA and UI data files were easily corrected by the States once the problems were identified. In most cases, the problems stemmed from errors in the computer programs used to extract the data from the master files. Appendix IV.A contains a discussion of the development of the Phase II database, including new problems and the procedures used to test the database for completeness.

The remainder of this chapter focuses on the substantive analyses performed during Phase II. It is organized into two major sections. The next section presents analyses designed to assess the quality of the telephone survey data and the UI wage-record data. Special attention is given to those aspects of the UI data that might hinder their use for program evaluation and performance management. In the subsequent section, UI wage-record data are used to compare pre-program and post-program employment and earnings trends across program years and by various subgroups in the JTPA Title II-A adult population. This includes an exploratory effort to track the "flow" of clients into and out of employment over the course of the post-program period.

Post-Program Survey Data And UI Wage Data

The 11-State database constructed for Phase I provided an opportunity to examine several key issues surrounding the quality of the post-program survey data. The previous study revealed that certain subgroups of the JTPA population had lower response rates even after controlling for the effects of employment status at termination. Since Service Delivery Areas (SDAs) serve different mixes of these subgroups, this finding explains part of the variation in the response rates reported by SDAs.

In addition, the evidence suggested that those participants who responded to the telephone survey had different post-program experiences than those who did not respond. The consequence of these differences is that estimates of program performance derived from the survey tend to overstate the actual levels of performance.

Finally, the Phase I study found a fairly high degree of correspondence between employment information obtained from respondents to the survey and their UI wage records. Although data limitations inhibited efforts to isolate the source of the differences that did emerge, the evidence suggested that there were two major explanations for these discrepancies: (1) self-employment, which is not covered under the UI system, and (2) out-of-state employment, which is recorded in a different State's UI system. In both cases, remedial measures to reduce the effect of these UI coverage issues were suggested.

In this section, the analyses presented in the Phase I report are replicated using the expanded Phase II database. This replication tests the generalizability of the Phase I findings. The addition of four new States allows us to determine the degree to which the Phase I findings were a function of the particular set of 11 States used in the earlier analyses. If the same results are obtained with the 15-State database, this would lend support to the view that the findings from the project are an accurate reflection of the national experience.

Further, the addition of PY87 information to the database permits an assessment of the stability of the findings over time. The additional year's experience in conducting post-program surveys may have resulted in more effective data collection strategies and techniques. If so, the Phase I findings might not reflect the effectiveness of current data collection efforts.

NONRESPONSE BIAS

Across the 15 States, 63,085 PY86 adult terminees were selected for the post-program telephone survey; and 41,770 responded to all three mandatory questions, producing an overall response rate of 66.1%. In PY87, 42,987 of the 61,751 adult terminees selected for the survey responded to all three mandatory questions, producing an overall response rate of 71.2%.[4]

These results indicate that the States were more adept at contacting their former clients in PY87 than they were in PY86. In fact, the overall PY87 response rate of 71.2% was above the DOL's requirement that each SDA should achieve a minimum response rate of 70%. Despite this overall improvement, many SDAs (and States in aggregate) were still experiencing difficulties in achieving the required minimum response rates; over 40% of all SDAs in the nation had response rates below the 70% minimum in PY87.[5] However, there have been marked improvements since PY87. Recent estimates by the DOL indicate that only 20% of all SDAs had response rates below 70% in PY90.

While the overall response rate improved from PY86 to PY87, certain subgroups of the JTPA population are still more likely than others to respond to the post-program survey (see Table 1). The greatest difference is found among the two subgroups defined on the basis of their employment status at termination. Clients who are employed at termination from the program have response rates that are over 15 percentage points higher than clients who are unemployed when they leave the program. In addition, some differences appear across sex, race, education, and welfare subgroups. While some of these differences are small, they are persistent across the two program years.

TABLE 1
POST-PROGRAM SURVEY RESPONSE RATES BY CLIENT SUBGROUPS PY86 and PY87 Title II-A Adult Survey Populations: Phase II[a]

Participant Characteristic	Response Rate PY 86	Response Rate PY 87
1. Sex		
Males	63.8	68.6
Females	67.8	72.9
2. Race/Ethnicity		
White	67.5	72.3
Black	65.3	70.2
Hispanic	61.4	70.7
American Native	51.9	56.6
Asian or Pacific Islander	66.1	66.2
3. Educational Status		
High School Dropout	62.5	67.7
High School Graduate	67.2	72.8
Post High School Education	69.0	72.9
4. Welfare Status		
Non Recipient	66.6	71.3
AFDC Recipient	65.8	71.7
General Assistance	52.6	51.8
Refugee Assistance	65.5	65.7
5. Employment Status at Termination		
Employed	71.4	75.6
Unemployed	52.7	58.2
Overall Response Rate	66.2	71.2

[a] Phase II States include: FL, GA, ID, IL, IN, MO, NV, OR, SC, TX, UT, VA, and WA.

It is difficult to draw any firm conclusions regarding the subgroup differences displayed in Table 1 because the observed differences in response rates may be related to some underlying difference between the groups being compared. For example, since the demographic subgroups tend to have different levels of employment at termination from the JTPA program, it is possible that their differences in response rates are merely reflecting their different entered-employment rates.

To address this issue, a multivariate analysis was used to estimate the independent effects of employment status at termination and subgroup membership on the probability of responding to the survey. Since the States exhibited different overall response rates to the survey, "dummy variables" were included in the regression model to account for variations in the effectiveness of the States' data collection efforts.

This analysis indicated that some of the subgroup differences shown in Table 1 were not statistically significant after accounting for the effects of other factors that might influence responses to the survey (see Table 2). Males, blacks, high school dropouts, and those unemployed at termination were all less likely to respond to the survey in both program years. However, the lower response rates for Hispanics and welfare recipients can be attributed to sources other than membership in these subgroups. Indeed, Hispanics were found to be more likely to respond to the survey in PY87 after controlling for the effects of other factors.

TABLE 2
REGRESSION RESULTS FOR A MODEL PREDICTING RESPONSE TO THE POST-PROGRAM SURVEY
PY86 and PY87 Title II-A Adult Survey Populations
Phase II States[a]

Variable	Regression Coefficient PY86	Regression Coefficient PY87
1. Employed At Termination	.198**	.177**
2. Male	-.049**	-.052**
3. Black	-.040**	-.019**
4. Hispanic	.009	.023**
5. High School Dropout	-.048**	-.045**
6. Welfare Recipient	.002	.002
	$R^2 = .09$	$R^2 = .07$
	N = 63,086	N = 61,752

Significance Levels: * = alpha .01
** = alpha .001

[a] Phase II States include: FL, GA, ID, IL, IN, MO, NV, OR, SC, TX, UT, VA, and WA.

These findings differ from those in the Phase I study in an important respect. In the earlier analysis, both Hispanics and welfare recipients were found to be less likely to respond to the post-program survey. The reason for the conflicting findings became apparent when the present analysis was repeated using only the original 11 participating States (i.e., by deleting the new Phase II States). Once again, lower response rates were found for both Hispanics and welfare recipients (see Table 3).[6]

The differences introduced by including the new States imply that there are material variations among States in their ability to contact certain subgroups of JTPA terminees.[7] If this were not the case, then the response rate results should be fairly robust to the introduction (or deletion) of States to (or from) the database. In conclusion, the differences for Hispanics and welfare recipients indicate that the effectiveness of post-program data collection varies across the States.

TABLE 3
REGRESSION RESULTS FOR A MODEL PREDICTING RESPONSE TO THE POST-PROGRAM SURVEY
PY86 and PY87 Title II-A Adult Survey Populations
Phase I States Only[a]

Variable	Regression Coefficient PY 86	Regression Coefficient PY 87
1. Employed At Termination	.219**	.191**
2. Male	-.066**	-.075**
3. Black	-.055**	-.043**
4. Hispanic	-.049**	-.029**
5. High School Dropout	-.050**	-.038**
6. Welfare Recipient	-.015**	-.019**
	$R^2 = .09$	$R^2 = .08$
	N = 45,953	N = 42,111

Significance Levels: * = alpha .01
** = alpha .001

[a] Phase I States include: FL, ID, IL, IN, MO, NV, OR, SC, UT, VA, and WA.

Further comparisons using Tables 2 and 3 illustrate that the results are fairly stable over time. In each of these tables, the corresponding parameter estimates for each subgroup are roughly the same across the two program years. Thus, while States became more proficient in collecting the follow-up data (recall Table 1), they were not successful in decreasing the response rate differentials among subgroups of JTPA terminees.

The U.S. Department of Labor (DOL) has developed a statistical adjustment procedure to reduce the nonresponse biases implied by the above response rate differences. The DOL requires SDAs to use this procedure when the response rate for their clients who are employed at termination differs from the response rate of those unemployed at termination by more than 5 percentage points. Since employment status at termination is the most influential factor predicting the probability that an individual will respond to the survey, the adjustment procedure addresses the major source of bias in the survey-based estimates.

However, DOL's adjustment procedure does not address all the possible sources of nonresponse bias. For example, the results of the above analysis indicate that blacks are less likely to respond to the post-program survey, after accounting for their employment status at termination. Since the adjustment procedure does not address such response rate differences, the estimates of post-program performance based on the survey are likely to be biased.

Moreover, the adjustment procedure assumes that respondents have the same experiences as non-respondents within each of the two employment categories. For example, it assumes that the post-program experiences of respondents who were employed at termination are representative of the experiences of nonrespondents who were employed at termination. The effectiveness of the adjustment procedure is a function of the degree to which this assumption is valid. If it is violated, there are even circumstances in which the adjustment procedure could increase the bias.

In the Phase I study, the UI wage-record data revealed that respondents and nonrespondents to the telephone survey had different post-program experiences. That analysis suggested that these differences had the potential of introducing considerable bias in evaluating JTPA's performance from the survey results.

Replication of the Phase I analysis using the expanded database from Phase II reinforces the earlier findings and conclusions. The employment rates based on UI data were very different for the respondent and non-respondent groups. While 75% of the PY87 survey respondents were reported as employed (i.e., had positive UI wages) for the first full post-program quarter, only 63% of the nonrespondents were reported as employed. This indicates that estimates of post-program employment based on the self-reported experiences of survey respondents may overstate the actual level of employment among terminees.

Further sources of nonresponse bias are illustrated in Table 4, which displays the UI-based employment rates for PY87 survey respondents and nonrespondents classified by their employment status at termination. Those employed at termination were more likely to respond to the survey (75.1% compared to 57.1%) and to be employed during the first post-program quarter (80.7% compared to 40.0%) than those unemployed at termination. While the post-program experiences of respondents and nonrespondents were similar for those unemployed at termination (39.6% compared to 40.6%), there is a marked difference in the post-program employment status of respondents and nonrespondents for those employed at termination (82.5% compared to 75.3%).

The last finding has important implications. Within the group of terminees who were employed at termination, the subgroup of respondents had higher rates of post-program employment than the subgroup of nonrespondents. This indicates that the subgroup of respondents is not a random subset of the group of terminees who were employed at termination. DOL's adjustment procedure addresses the potential bias produced by differences in response rates between the employed and unemployed groups. However, it does not address the potential bias resulting from the different post-program experiences of the subgroups of respondents and nonrespondents within the two groups. Within the group of employed terminees, the subgroup of respondents had a higher post-program employment rate than the subgroup of nonrespondents; in this case, the survey provides inflated estimates of JTPA participants' post-program employment rates and therefore the program's performance.

A cell by cell comparison of Tables 4 and 5 reveals a remarkable similarity in the UI-based employment rates between PY87 and PY86. This suggests that the bias in the survey data is roughly constant across program years. If so, the post-program employment rates obtained from the survey would provide accurate estimates of changes in JTPA's performance from year to year, even though each annual estimate of performance is likely to be upwardly biased.

TABLE 4

COMPARISON OF THE EMPLOYMENT RATE FOR THE FIRST FULL QUARTER AFTER PROGRAM TERMINATION FOR RESPONDENTS AND NONRESPONDENTS BY EMPLOYMENT STATUS AT TERMINATION[a]

PY87 Title II-A Adult Survey Population

Phase II

	Employment Status at Termination	
Post-Program Survey Status	**Employed**	**Unemployed**
Respondents	82.5	39.6
Nonrespondents	75.3	40.6
Response Rate	75.1	57.1
First Quarter Employment Rate	80.7	40.0

[a] Employment rates calculated from UI wage-record data.

TABLE 5

COMPARISON OF THE EMPLOYMENT RATE FOR THE FIRST FULL QUARTER AFTER PROGRAM TERMINATION FOR RESPONDENTS AND NONRESPONDENTS BY EMPLOYMENT STATUS AT TERMINATION[a]

PY86 Title II-A Adult Survey Population

Phase II

	Employment Status at Termination	
Post-Program Survey Status	**Employed**	**Unemployed**
Respondents	82.7	39.8
Nonrespondents	75.2	39.7
Response Rate	71.0	51.8
First Quarter Employment Rate	80.5	39.8

[a] Employment rates calculated from UI wage-record data

A further analysis was designed to assess the effect of this survey bias on the estimates of SDAs' performance in PY87. For each SDA, the UI-based employment rate was calculated for (1) the entire survey sample, respondents and nonrespondents together, and (2) respondents alone. While the correlation between the two rates was high (r=.90), there were some substantial differences between the two rates for individual SDAs. Even after DOL's adjustment procedure was applied, the standard deviation of the difference between the two rates was more than 2 percentage points. This suggests that the bias in the survey-based rates may have a substantial effect on the interpretation of an individual SDA's performance.

COMPARISON OF UI WAGE DATA TO JTPA OUTCOME DATA

In the Phase I study, the telephone survey and UI data were compared for the subset of survey respondents whose 13-week post-program period coincided exactly with a calendar quarter. In that analysis, the responses of the survey participants were examined to determine whether they claimed to have been employed at any point during the 13-week post-program period. This self-reported employment status was then compared with the UI-based employment status in order to assess the degree of correspondence between the two data sources.

This exercise was repeated using the Phase II data. Of the PY87 survey respondents, 79.6% were placed in the same employment categories by the two data sources, which is only slightly lower than the 81.7% found for the PY86 respondents. However, unlike the earlier analysis, which found that the bulk of discrepancies were the Survey-employed/UI-unemployed case as opposed to the Survey-unemployed/UI-employed case (13.2% and 5.1%, respectively); the present analysis found the discrepancies to be evenly split between the two cases (9.1% and 11.3%, respectively; see Table 6).

An examination of the 239 respondents in PY87 who claimed to be unemployed during the entire post-program period, but for whom UI wages were found, revealed that 184 (77%) were reported by the JTPA system as being employed at termination from the program. While some of these respondents may have lost their jobs between their termination date and the onset of their 13-week post-program period (less than one week in all cases), most probably did not. Hence, it is reasonable to conclude that memory problems play a major role in explaining the discrepancies for the Survey-unemployed/UI-employed case.

TABLE 6
COMPARISON OF THE EMPLOYMENT STATUS RESULTS FOR THE 13TH-WEEK POST-PROGRAM SURVEY AND UI WAGE-RECORD DATA
PY87 Title II-A Adult Survey Population

	First Quarter UI Status		
Employment Status Per Survey	**Employed**	**Unemployed**	**Totals**
Employed	1414 (66.7%)	193 (9.1%)	1607 (75.8%)
Unemployed	239 (11.3%)	274 (12.9%)	513 (24.2%)
Totals	1653 (78.0%)	467 (22.0%)	2120 (100.0%)
Overall Correspondence = 1688 (79.6%)			

There are three major explanations for the findings in the Survey-employed/UI-unemployed case. A JTPA participant may have been (1) employed out-of-state, (2) employed in a job not covered under the UI system, or (3) employed in the quarter but wages were not paid by the employer until the next quarter.[8]

To assess the relative influence of these factors, the clearinghouse obtained PY87 data from the State of Illinois describing the employment status of adult participants at termination. These data were recorded on the State's JTPA management information system (MIS). For each participant, the employment status indicated on their MIS record was checked against the employment status indicated on their UI wage record. The mismatches were then examined in detail to identify the reason for the conflict.

Use of the MIS termination data, in lieu of the post-program survey data, has two major advantages for present purposes. First, these data are not subject to the nonresponse biases affecting the survey data. Second, the number of observations is much greater. Unlike the survey data which are only a sample from the universe of program terminees, the MIS data represent the universe.

For the State of Illinois, the clearinghouse had access to the employer's name reported on the MIS as well as the employer's "doing-business-as" name reported on the UI system. These two pieces of information were the key to examining the UI coverage and reporting issues.

Table 7 demonstrates the results of matching the PY87 MIS termination information with the UI wage-record information reported in the quarter of termination. The overall correspondence between the UI and MIS data (73.9%) was somewhat lower than the correspondence between the UI and survey data (79.6%) shown in Table 6. Although the percentage of mismatches between these data sources is greater than between the UI and survey data, the distribution of mismatches is more evenly split between the case of those who were employed according to the UI wage records but not employed according to the MIS, and the reverse case.

The MIS data permitted a detailed examination into the reasons why an MIS-reported condition of employment could go uncorroborated by the UI data system. Since the MIS record contained the address of the employer, it was possible to determine if the participant was employed out-of-state. As shown in Table 8, the total percentage of out-of-state employment for this group of uncorroborated cases was 15.3% (only 2% of all terminees). Further examination revealed that the majority of these cases occurred in two SDAs that bordered a large urban area located in another State.

TABLE 7
COMPARISON OF THE EMPLOYMENT STATUS AT TERMINATION AND UI WAGE-RECORD DATA
Illinois PY87 Title II-A Adult Population

	Termination Quarter UI Status		
Employment Status at Termination	**Employed**	**Unemployed**	**Totals**
Employed	13758 (53.2%)	3387 (13.1%)	17145 (66.3%)
Unemployed	3367 (13.0%)	5347 (20.7%)	8714 (33.7%)
Totals	17125 (66.2%)	8734 (33.8%)	25859 (100.0%)
Overall Correspondence = 19105 (73.9%)			

TABLE 8

CAUSES FOR MISMATCHES: PARTICIPANTS EMPLOYED AT TERMINATION WITH NO UI RECORD FOR THE QUARTER OF TERMINATION

Illinois PY87 Title II-A Adult Population

Reason for Mismatch	# of Cases	Percent
1. Employed out of State	517	(15.3%)
2. Self-Employed	51	(1.5%)
3. Federal Employment	172	(5.1%)
4. Within-Program UI Record	81	(2.4%)
5. 1st Quarter Post UI Record	608	(18.0%)
6. 2nd Quarter Post UI Record	93	(2.7%)
7. No Related UI Record	1865	(55.0%)
a) No UI Record	1325	(39.1%)
b)Mismatched Employers	540	(15.9%)
Total	3387	(100.0%)

Next, the possibility that a participant had a job at termination which was not covered under the UI system, such as self-employment, was considered. Although the Illinois MIS does not have a separate data field for reporting self-employment, the study attempted to infer self-employment from other data items that are available. For example, the employer's name field on the MIS was scanned to determine if self-employment was reported. The tests included a search of the employer's name for the character string "self" and a comparison of the employer's name and phone number with the participant's name and phone number. The results of these tests (see Table 8) suggest that few JTPA participants fell into the self-employed category (1.5%).

Forms of covered employment for which wage records are not available include employment by the federal government (including military), railroad workers, and small nonprofit organizations. By visually checking the employer's name given on the JTPA MIS, it was determined that approximately 5.1% of all uncorroborated MIS employment could be attributed to these other forms of employment, most commonly, federal employment. Combined with the previous estimate of self employment, such employment accounted for less than 7% of the conflict between the two data sources.

The third possible reason for not finding UI wages for an "employed" JTPA terminee is that the person may have worked during the quarter but wages were not paid until the following quarter. This type of mismatch was examined by comparing the employer's name reported in the termination record to the "doing-business-as" name reported in the UI database. The analysis included UI records for the participant's within-program quarters (i.e., all quarters within which a participant was still active in JTPA for at least a day) along with records for the first two post-program quarters.

Table 8 displays the percentages for the three types of employer name matches. The first type of match occurred when an employer's name recorded on the MIS agreed with the "doing-business-as" name recorded on a UI record for one of the within-program quarters. This match was examined because there could be errors in recording the termination date of the participant. In such cases, there would be no UI wages reported by the employer specified on the MIS record for the quarter of termination, but the participant would have UI wages reported for a within-program quarter.

The other two types of matches occurred when the employer's name recorded at termination agreed with the employer's name recorded on a UI record either one or two quarters after termination. These cases would occur if a participant worked during the quarter of termination but received their pay at a later point in time.

As seen in Table 8, over 23% of uncorroborated MIS employment could be attributed to either late MIS reporting or the "earn/pay" lag. The latter is the major explanation: the percentage of cases where the employer's name matched in the first quarter after termination was 18%. The percentage of matches found during the within-program and second post-program quarters were a much lower 2.4% and 2.7%, respectively.

Several important conclusions may be drawn from this analysis. In Illinois, out-of-state employment at the time of termination is infrequent for most SDAs. (As discussed in Chapter II, this holds for the nation as a whole.) Similar results would be expected during the post-program period. However, since out-of-state employment is high for some SDAs, it should be taken into account in JTPA's system of performance management. One approach would be to use a statistical adjustment procedure, akin to the nonresponse adjustment procedure used with the current telephone survey. A more direct approach would be to develop interstate data sharing agreements.

The most frequent reason for an uncorroborated MIS employment is the earn/pay reporting lag. Although the number of participant records affected by the lag is somewhat large, the overall effect of the earn/pay lag on estimates of post-program employment may be small. This is because the number of people who worked during a given quarter "T" but did not receive their wages until quarter "T+1" will be partially offset by the number of people who lost their job in quarter "T-1" but had wages reported for quarter "T". Such offsetting of errors improves the accuracy of estimating post-program employment rates.

Of greater concern is the large number of cases for which an MIS-reported employment could not be corroborated through UI records. A total of 55.0% of the cases with a mismatch contained MIS employment information which did not correspond to any available UI wage record. One possible explanation is that in order for an MIS employer name to be declared a match with the UI "doing business as" name, the names had to be nearly identical. In some cases (15.9%), a UI record was found during the first or second full quarter after termination, but the employer names did not meet the stringent criteria used to determine a match. It is not known how much of this UI-measured employment is associated with the participant's employment at termination, as recorded on the MIS, but it may account for a significant number of the non-matches.

Putting aside the preceding mismatches, 39.1% of the MIS-employed/UI-unemployed cases remain to be explained. An examination of the employer's name reported on the JTPA MIS for these 1,325 participants revealed 1,108 different employers. Furthermore, while it was expected that a large percentage of these employers would be employers that were exempt from UI reporting, only 5.7% of the employers appeared to fall into this category.[9] The rest were companies and businesses with no apparent reason for being exempt from UI reporting.

Possible explanations for the inability to match these remaining cases include (1) errors in reporting the social security number on the JTPA or UI data systems, (2) an employer's neglect of UI reporting requirements, and (3) recording errors by JTPA operators. Given that many of these employers are highly established companies and that the uncorroborated employment appears to be randomly distributed across SDAs, the most likely explanation is errors in recording social security numbers.

This analysis of cases where a UI wage-record could not be linked to an MIS-reported employment has illustrated some of the problems that may arise with the use of UI data. However, there is a similar number of cases where a participant earned UI wages during the termination quarter, but the participant was reported as unemployed at termination on the State's MIS.

There are a number of valid reasons why a participant can have UI wages reported for their quarter of termination, yet not be reported as employed at termination. Many of these explanations involve the timing of employment. For example, a JTPA participant could become employed during the calendar quarter of termination but after the date the person leaves the program. This is more likely if the date of termination occurs early in the quarter than if it occurs late. Or, the person could have worked in the previous quarter but have been paid during the termination quarter.

It is also plausible that the participant was employed on the termination date but the SDA was unaware of the employment. For example, the SDA could have lost track of the participant and administratively purged the person from its files as unemployed at termination.

Further analysis suggested that some SDAs were having more difficulty than others keeping in contact with their participants. This was indicated by the numbers of PY86 and PY87 terminees whom SDAs reported as unemployed at termination but the UI system recorded as employed during the quarter of termination.[10] The results showed a wide variation in the percentages across the SDAs, from less than 1% in some cases to greater than 20% in others (average=10.2%).

The finding that some SDAs keep track of their clients better than others is not surprising. However, the strength of the relationship between "missed employment" and the entered employment rate at termination is startling: the correlation is -.68! This suggests that the entered employment rate at termination calculated from MIS data depends strongly on the effectiveness of an SDA's tracking and reporting system. If an SDA is having great difficulty keeping in contact with its participants, it may report an entered employment rate appreciably different from its true one.

Employment And Earnings Trends

The Phase I report contained a series of graphs which displayed the pre-program and post-program employment and earning trends for various subgroups of the JTPA population.[11] This section reproduces those graphs using the expanded Phase II database. The new analyses illustrate the usefulness of wage-record data for tracking the post-program experiences of JTPA participants over an extended period of time.

The Phase II database makes it possible to observe the post-program employment and earnings trends of PY86 terminees for an additional four quarters. It is also possible to compare the short-term trends of PY86 terminees with their PY87 counterparts to assess whether there are any significant differences in the labor market experiences of the two cohorts.

Prior to examining the employment and earnings trends of former JTPA participants, a cautionary note is offered. These trends are presented solely to illustrate the potential of UI information for conducting longitudinal analysis. Conclusions about the program's effectiveness should not be drawn from these trends, since they are not adjusted for human capital and other individual differences affecting labor market outcomes. **Conclusions about the net impact of the JTPA program cannot be drawn from the employment and earnings trends displayed in this chapter.**

Studies designed to assess the net impact of job training services generally use a comparison group (ideally a pure control group) of non-participants to approximate what the post-program labor force experiences of participants would have been if they had not participated in the program. The net impact of the program is measured by the difference between these hypothetical outcomes and the actual ones for the participants involved. Currently, the NCEP is sponsoring a separate study in which UI data from the State of Utah are being used to explore methodological issues involved in estimating the net impact of JTPA's Title II-A program.[12] A comparison group is being drawn from the population of Utah's job service registrants. The selected individuals have demographic characteristics and labor force experiences that are similar to the State's JTPA participants.

The present study does not pursue a net impact approach. Rather, it documents prevalent patterns in the labor market experiences of JTPA participants before and after they receive their training services. Identification of these patterns is a useful first step in evaluating program effects. Net impact studies are a next step.[13]

EMPLOYMENT TRENDS

The graphs depicting the employment trends for PY86 and PY87 participants by various subgroups are in Appendix IV.B (see Figures B.1 - B.5). In general, the proportion of JTPA terminees who are employed (i.e., earn some UI wages during a designated quarter) declines throughout the post-program period, with the greatest decline found between the first and second quarter after leaving the program. After the second quarter, the rate of decline appears to be fairly constant throughout the remainder of the post-program period. In addition, the graphs illustrate that the trend for the first post-program year for the PY87 terminees is similar to that for the PY86 terminees.

One major difference between the Phase I and Phase II results involves the post-program employment pattern for participants who received remedial/basic classroom training. According to the Phase I data, employment rates for such participants rose after the second post-program quarter. It was suggested in the Phase I report that this rise could be the result of a delayed effect of remedial/basic classroom training.

However, an examination of the employment trend for this type of training in the Phase II database reveals that employment rates consistently decline throughout the post-program period, much like the other types of training (see Figure B.5). Furthermore, this decline is found among both PY86 and PY87 terminees. In conclusion, there is no longer support for the earlier suggestion that remedial/basic classroom training has delayed effects on the probability of employment.

This difference between the Phase I and Phase II findings was caused by two factors. The first was the resolution of the problems that a few States were experiencing in extracting information from their UI data systems. It has already been noted that correction of these problems eliminated the relatively large third-to-fourth quarter employment decline noted in the Phase I data (see Figure 1 in Appendix IV.A). The second contributing factor was the small number of cases in which a JTPA client received only remedial/basic education. In PY86, less than 2,000 of the 63,086 terminees received remedial/basic classroom training as their only intervention. As a result, it did not take many updates in the UI data to produce noticeable changes in the employment rates.

EARNINGS TRENDS

The average earnings of employed terminees show a steady increase throughout the post-program period. Like the employment rates, the earnings patterns are remarkably similar across the two program years. The differences that do emerge for certain subgroups, e.g., the relatively high level of earnings for PY86 terminees who received refugee assistance, can be attributed to the small number of individuals in those subgroups.

One interesting finding is that the male/female earnings differential increases over the course of the post-program period. Specifically, the earnings differential increased from about $500 in the first post-program quarter to about $750 in the eighth post-program quarter. By way of possible explanation, the male/female earnings differential decreased during the pre-program period, so that the final gap (post-quarter 8) is similar to the initial gap (pre-quarter 4). These results suggest that the males may have experienced a more severe disruption in their earnings prior to program participation than the females and therefore a slower recovery afterwards. If so, the growing differential in the post-program period may be unrelated to the training services.

On a broader methodological note, Figure B.6 depicts a series of cross-sectional snapshots of terminees who are employed in a given quarter, not a longitudinal analysis of the earnings experiences of a fixed cohort of terminees. For this reason and others given earlier, such earnings trends do not represent the net impact of program services for different groups of participants (here defined by gender). Nonetheless, these trends provide useful, preliminary information and suggest some interesting hypotheses for further research.

EMPLOYMENT STATUS TRANSITIONS

The quarterly employment rates present a static picture of employment by focusing on the "stock" of individuals who are employed during a given period of time. They fail to capture the dynamic aspect of employment, i.e., the "flow" of people into and out of employment. To illustrate this point, suppose a group of individuals had the same employment rate for two consecutive quarters. While this means that the same number of people were employed during both quarters, it does not mean that the same individuals were employed during both quarters. For example, it could be that the number of people who gained employment between the first and second quarters exactly offsets the number of people who lost employment during the same interval. Thus, observed stability in the quarterly employment rates could mask an active and shifting labor force.

One way to explore labor force dynamics is to track the movement of individuals into and out of employment over the course of the post-program period. First, the employment status of each participant at termination is determined. Then, for each subsequent post-program quarter, the employment status of each participant is reexamined, and the participants are placed into groups defined on the basis of employment status during that quarter as well as previous employment history. This "branching" technique quickly expands the number of groups so that by the end of the fourth post-program quarter, 32 groups are identified, each possessing a different and unique set of post-program employment experiences. For illustration, see Figure 2 at the end of this chapter.

When this technique was used to compare the post-program employment experiences of PY86 and PY87 Title II-A adult terminees, the results for the two years showed a remarkable degree of similarity (see Figures 2 and 3). A comparison of the corresponding "transition rates"[14] reveals that the two sets of terminees were nearly identical in their movements into and out of employment during the post-program period. In fact, all of the transition rates for the PY87 terminees were within two percentage points of their PY86 counterparts.

The data show a pronounced "momentum" for employment; see the transition rates along the top of Figures 2 and 3, which represent the quarter to quarter employment retention rates for those individuals who remained employed throughout the post-program period. For example, Figure 2 shows that the transition rate for this group increases from .79 (termination to first post-program quarter) to .90 (third to fourth post-program quarter). The increase in these rates over time confirms the intuition that the longer one remains employed, the less likely one is to become unemployed.

Unfortunately, there appears to be a corresponding "stickiness" for unemployment. This is most apparent in the transition rates displayed along the bottom of Figures 2 and 3. These percentages get progressively larger over the course of the post-program period signifying that the longer a person remains unemployed, the less likely that person is to become employed in the future.

It is also clear that whether a former participant is employed or not during a particular quarter is largely predicted by their employment status during the preceding quarter. Overall, 81% of the time, individuals remained in the same employment status from one quarter to the next.

These results are further demonstrated in Figures 4 to 6 which combine the PY86 and PY87 terminees. The quarter-to-quarter transition rates for three subgroups of participants are depicted: females not receiving welfare (Figure 4), females receiving welfare (Figure 5), and males (Figure 6).[15] The subgroups exhibit similar patterns of transition, although there are some minor variations in the levels of the rates. For example, although the momentum for employment is similar in both female subgroups, the employment-to-employment transition rates in the early post-program period are somewhat higher for females not receiving public assistance. In other words, females receiving public assistance at enrollment are more likely to become unemployed in the post-program period.

One surprising finding was the relatively large percentage of participants (39% in PY86 and 40% in PY87) who were unemployed at termination according to JTPA MIS data but had UI wages in the first post-program quarter. This percentage is much larger than would be expected, based on the transition rates for later post-program periods, which were rarely above .30.

To assess this finding, UI-based employment status during the quarter of termination was used to calculate the transition rates instead of the MIS-based employment status at the date of termination.[16] The previous comparison of UI and MIS data had revealed differences between the two data sources; the unexpectedly large percentage of job gainers could be the result of such differences. As expected, the transition rates based on the UI data (Figure 8) show a much lower proportion of "job gainers" among the initially unemployed group than indicated by the rates based on the MIS termination data (Figure 7): .27 versus .40, respectively. In addition, the proportion of "job losers" among the initially employed group using the UI data is lower than that using the MIS termination data: .15 versus .21, respectively.

Further insight is gained by examining the correlations among SDA-level employment measures calculated for different time points. For this analysis, employment rates based on MIS data (entered employment rate at termination) and UI data (employment rates for the quarter of termination and the post-program quarters) were calculated for each SDA. While there is a correlation of only .56 between the MIS-based initial employment rate and the first post-quarter employment rate, there is a much higher correlation of .94 between the UI-based initial rate and the first post-quarter rate. In addition, the employment measure calculated from UI data for the quarter of termination is also strongly correlated with the longer-term employment measures. For example, the correlation between the UI-based initial employment rate and the fourth post-quarter employment rate is .79.

The preceding exercise illustrates the problems that can arise when mixing MIS and UI data for purposes of tracking employment status over time. From the correlation between the MIS-based entered employment rate at termination and the UI-based employment rate for the first post-quarter, an observer could erroneously conclude that there was only a mild relationship between employment outcomes for these two time points. However, the above evidence suggests that this interpretation is incorrect; the relatively low correlation is largely a function of using different data sources for calculating the two rates. Upon using the UI data throughout the analysis, a strong relationship is revealed.

Summary And Conclusion

This chapter has presented the findings from Phase II of NCEP's project to examine the potential for using UI wage-record data as an evaluation tool for programs funded under JTPA. Fifteen States participated in this phase, which covered Program Years 1986 and 1987.

SYNOPSIS OF PHASE II FINDINGS

The study began by assessing the telephone survey currently used to measure the employment and earnings experiences of JTPA participants during the 13th week after they leave the program. The analysis reinforced the findings of the earlier report from Phase I of the project: there appears to be substantial nonresponse bias in the estimates of JTPA performance based on the post-program survey. Furthermore, DOL's current statistical adjustment procedure does not address all of the sources of bias found in the survey data. As a result, nonresponse bias in the survey-based measures of program outcomes can have a substantial effect on the interpretation of an SDA's performance.

Efforts were also made to assess the degree of correspondence between the survey and UI data by using a subset of survey respondents whose 13-week post-program period coincided exactly with a calendar quarter. For the vast majority of these respondents, the two data sources were in agreement about the employment status of the respondent during the post-program period. However, for 20% of these respondents, the two data sources provided conflicting results. A detailed analysis explored the reasons for these conflicts, including out-of-state employment and the earn/pay reporting lag.

The third section of the chapter presented the pre/post employment and earnings trends for various subgroups of JTPA participants. For this analysis, the Phase II effort had expanded the Phase I database by bringing in four new States, covering PY87 as well as PY86 terminees, and including an additional year of post-program UI data for the PY86 terminees. The Phase II findings generally reinforced the Phase I findings. However, a few differences appeared; for example, the new results rejected an hypothesized delayed effect on employment among remedial/basic classroom training participants.

The empirical analysis also documented the movement or "flow" of JTPA clients into and out of employment over the course of the post-program period. Among the findings, an individual's employment status during one quarter was found to be strongly correlated with their employment status in the previous quarter. In addition, UI-based and MIS-based measures of initial employment rates were compared.

IMPLICATIONS FOR JTPA PERFORMANCE MEASUREMENT

The comparison of UI-based and MIS-based initial employment rates demonstrated the problems that can arise in drawing inferences about employment transitions when different data sources are used at different points in times. Fortunately, eight States provided UI information for the quarter of termination as well as the required pre- and post-program quarters. A UI-based initial employment rate was constructed and compared to the MIS-based entered employment rate. The former proved more appropriate in tracking participants' employment transitions over time.

The UI wage records offer a rich source of information on long-term employment patterns and trends. In this study, JTPA participants were tracked for two years after they left the program, and even longer periods could be examined. The combination of these data with special survey data provide a powerful tool for program evaluation purposes. (See also the discussion in Chapter II.)

Special surveys can be used by the States to collect employment information that cannot be gathered from UI records. For example, studies have indicated that employee benefits, particularly health insurance, are important determinants of job retention among economically disadvantaged workers.[17] A survey can be used to gather this information from former participants in an effort to assess the quality of post-program employment. However, it is more important for States to collect detailed information on benefits offered by the job at placement. This information could then be used in conjunction with UI wage-record data to develop predictors of long-term employment retention.

Special surveys can also be used to gather the opinions and attitudes of former clients about their experiences with JTPA. Information can be collected on why the client chose to enter JTPA, what factors influenced the services they received, and how they evaluate the quality of those services. The feedback from former participants can be helpful in uncovering program strengths and weaknesses.

With regard to national performance standards, the recent elimination of immediate outcome measures, in favor of sole reliance on post-program measures, has had the undesirable side effect of reducing the ability of SDAs to manage their programs. When SDAs were assessed using termination-based measures, they could evaluate each service provider on the basis of their performance against the same yardstick. However, in the shift to post-program measures, many SDAs have lost this management tool because post-program data is collected on only a sample of their clients. The sample often contains too few cases on individual providers for SDAs to accurately assess their performance.

The use of UI-based performance measures would return this management tool to the SDAs. The costs of accessing UI data are so low that there would be no need to sample participants. As a result, SDAs would have access to post-program data for virtually all of their clients. This would place SDAs in the position where they could once again evaluate the effectiveness of their providers using performance measures set by the U.S. Department of Labor.

The ability of the SDAs to manage their programs would be further enhanced by providing them with the technical assistance they need to evaluate their programs in terms of post-program outcomes. For example, national research efforts could be directed towards increasing the JTPA system's understanding of the factors that promote employment gains and losses in the post-program period. Are certain types of clients more likely to experience a job loss or a job gain after leaving the JTPA program? Are job losers and gainers more likely to have received certain types of training and employment services? To what extent are the observed transitions in labor force status a function of business cycles and other factors that are beyond the control of SDAs? Answers to such questions would help SDAs reestablish the link between program management and evaluation.

Figure 2
Quarter to Quarter Employment Transition Rates
PY86 Title II-A Adult Terminees

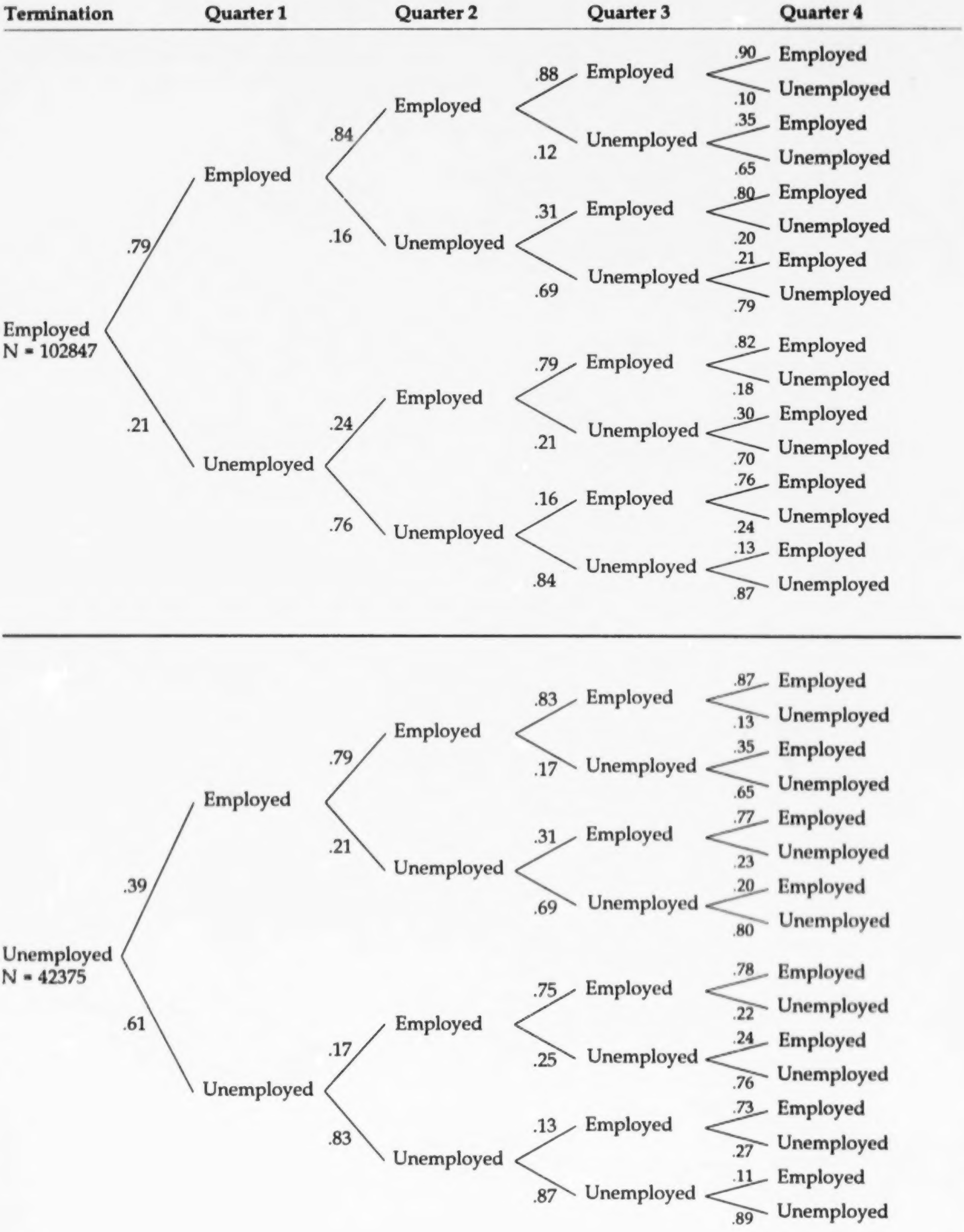
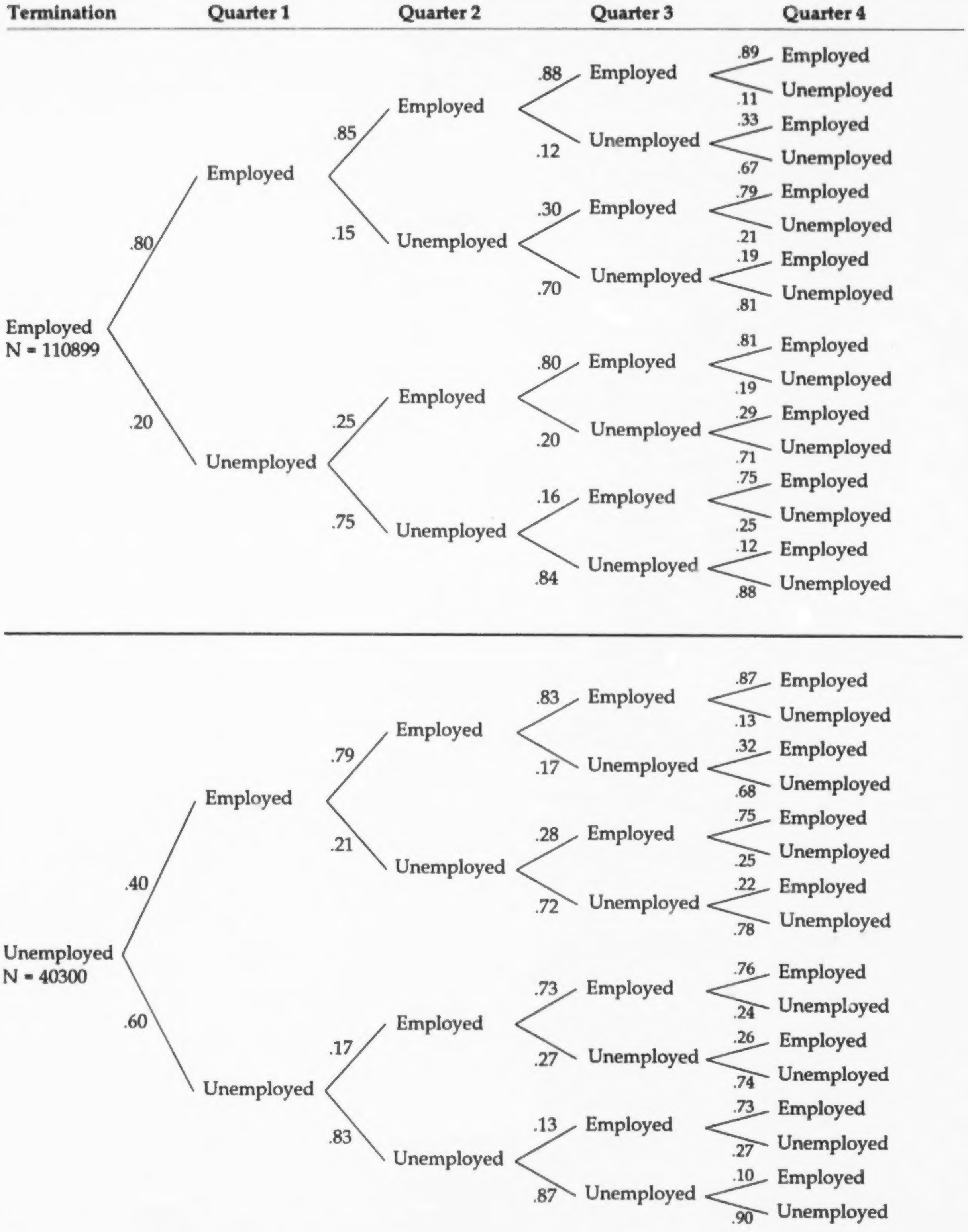

Termination
Quarter 1
Quarter 2
Quarter 3
Quarter 4
Employed
N = 102847
.79
.21
Employed
Unemployed
.84
.16
.24
.76
Employed
Unemployed
Employed
Unemployed
.88
.12
.31
.69
.79
.21
.16
.84
Employed
Unemployed
Employed
Unemployed
Employed
Unemployed
Employed
Unemployed
.90
.10
.35
.65
.80
.20
.21
.79
.82
.18
.30
.70
.76
.24
.13
.87
Employed
Unemployed
Employed
Unemployed
Employed
Unemployed
Employed
Unemployed
Employed
Unemployed
Employed
Unemployed
Employed
Unemployed
Employed
Unemployed
Unemployed
N = 42375
.39
.61
Employed
Unemployed
.79
.21
.17
.83
Employed
Unemployed
Employed
Unemployed
.83
.17
.31
.69
.75
.25
.13
.87
Employed
Unemployed
Employed
Unemployed
Employed
Unemployed
Employed
Unemployed
.87
.13
.35
.65
.77
.23
.20
.80
.78
.22
.24
.76
.73
.27
.11
.89
Employed
Unemployed
Employed
Unemployed
Employed
Unemployed
Employed
Unemployed
Employed
Unemployed
Employed
Unemployed
Employed
Unemployed
Employed
Unemployed

Figure 3
Quarter to Quarter Employment Transition Rates
PY87 Title II-A Adult Terminees



Termination
Quarter 1
Quarter 2
Quarter 3
Quarter 4
.89 Employed
.88 Employed
.11 Unemployed
.85 Employed
.33 Employed
.12 Unemployed
.67 Unemployed
.80 Employed
.79 Employed
.30 Employed
.21 Unemployed
.15 Unemployed
.19 Employed
.70 Unemployed
.81 Unemployed
Employed
N = 110899
.81 Employed
.80 Employed
.19 Unemployed
.25 Employed
.29 Employed
.20 Unemployed
.71 Unemployed
.20 Unemployed
.75 Employed
.16 Employed
.25 Unemployed
.75 Unemployed
.12 Employed
.84 Unemployed
.88 Unemployed
.87 Employed
.83 Employed
.13 Unemployed
.79 Employed
.32 Employed
.17 Unemployed
.68 Unemployed
.40 Employed
.75 Employed
.28 Employed
.25 Unemployed
.21 Unemployed
.22 Employed
.72 Unemployed
.78 Unemployed
Unemployed
N = 40300
.76 Employed
.73 Employed
.24 Unemployed
.17 Employed
.26 Employed
.27 Unemployed
.74 Unemployed
.60 Unemployed
.73 Employed
.13 Employed
.27 Unemployed
.83 Unemployed
.10 Employed
.87 Unemployed
.90 Unemployed

Figure 4
Quarter to Quarter Employment Transition Rates
PY86 and PY87 Title II-A Adult Terminees
Females Not Receiving Welfare

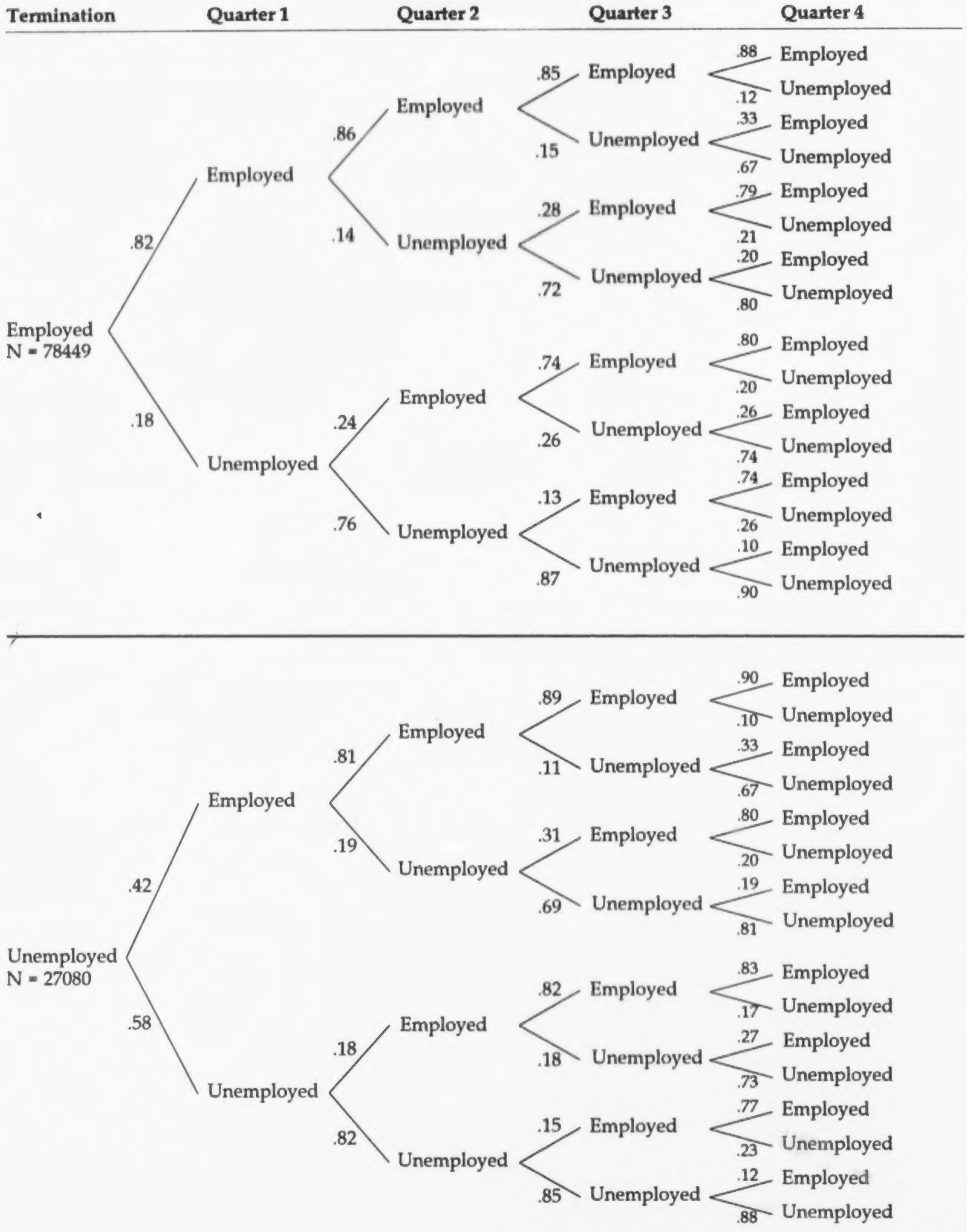

Termination
Quarter 1
Quarter 2
Quarter 3
Quarter 4
Employed
N = 78449
.82
Employed
.86
Employed
.85
Employed
.88
Employed
.12
Unemployed
.15
Unemployed
.33
Employed
.67
Unemployed
.14
Unemployed
.28
Employed
.79
Employed
.21
Unemployed
.72
Unemployed
.20
Employed
.80
Unemployed
.18
Unemployed
.24
Employed
.74
Employed
.80
Employed
.20
Unemployed
.26
Unemployed
.26
Employed
.74
Unemployed
.76
Unemployed
.13
Employed
.74
Employed
.26
Unemployed
.87
Unemployed
.10
Employed
.90
Unemployed
Unemployed
N = 27080
.42
Employed
.81
Employed
.89
Employed
.90
Employed
.10
Unemployed
.11
Unemployed
.33
Employed
.67
Unemployed
.19
Unemployed
.31
Employed
.80
Employed
.20
Unemployed
.69
Unemployed
.19
Employed
.81
Unemployed
.58
Unemployed
.18
Employed
.82
Employed
.83
Employed
.17
Unemployed
.18
Unemployed
.27
Employed
.73
Unemployed
.82
Unemployed
.15
Employed
.77
Employed
.23
Unemployed
.85
Unemployed
.12
Employed
.88
Unemployed

Figure 5
Quarter to Quarter Employment Transition Rates
PY86 and PY87 Title II-A Adult Terminees
Females Receiving Welfare

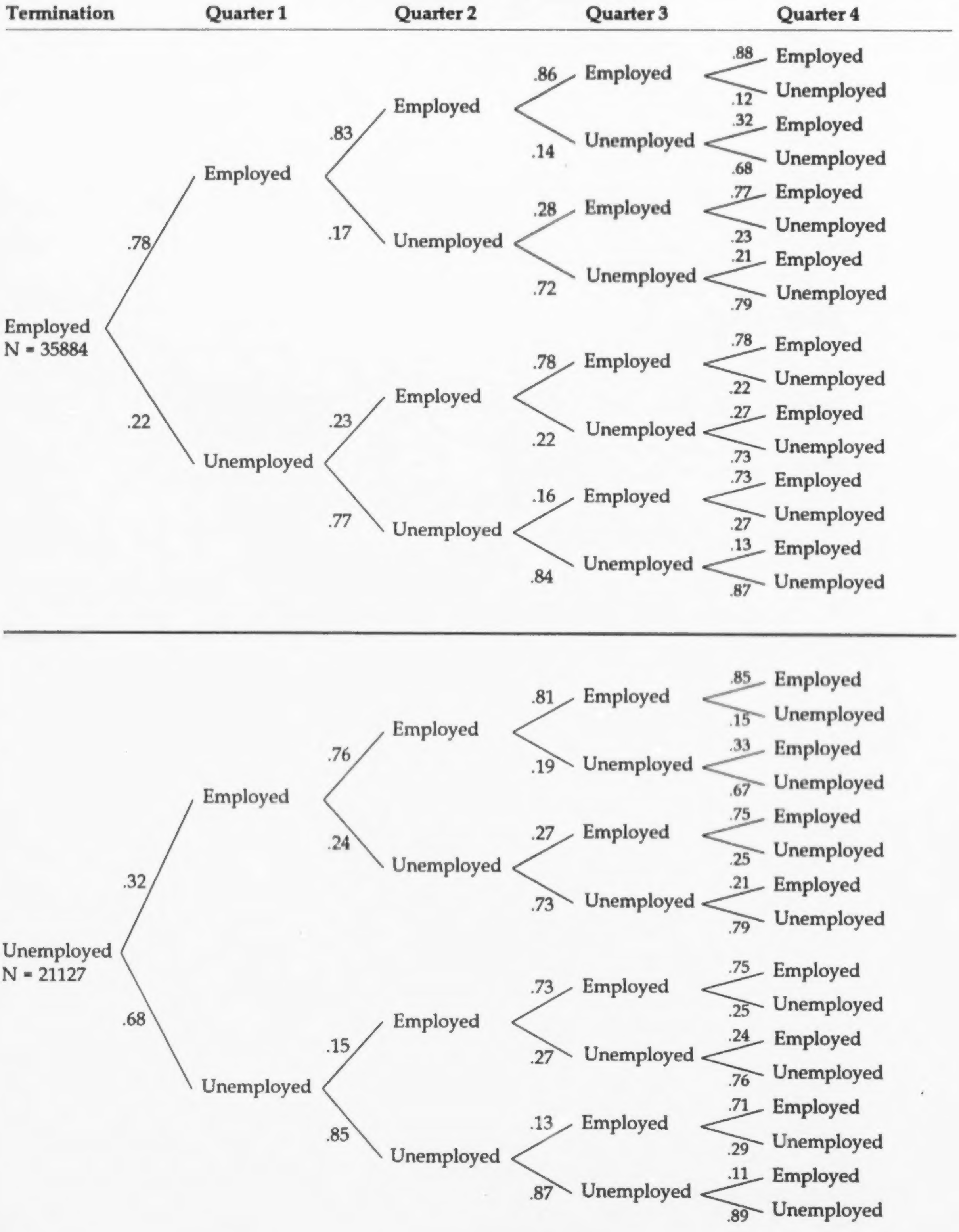
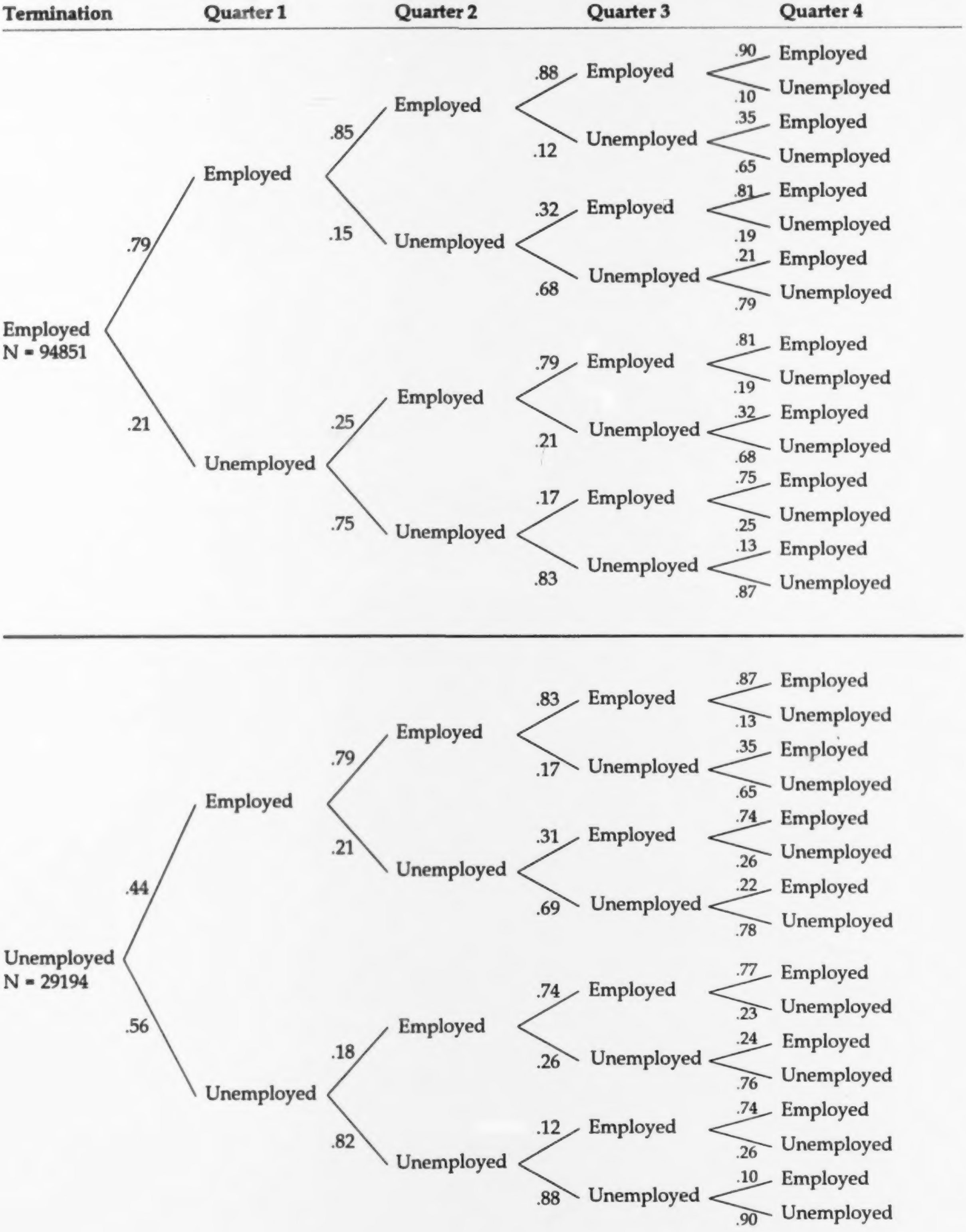
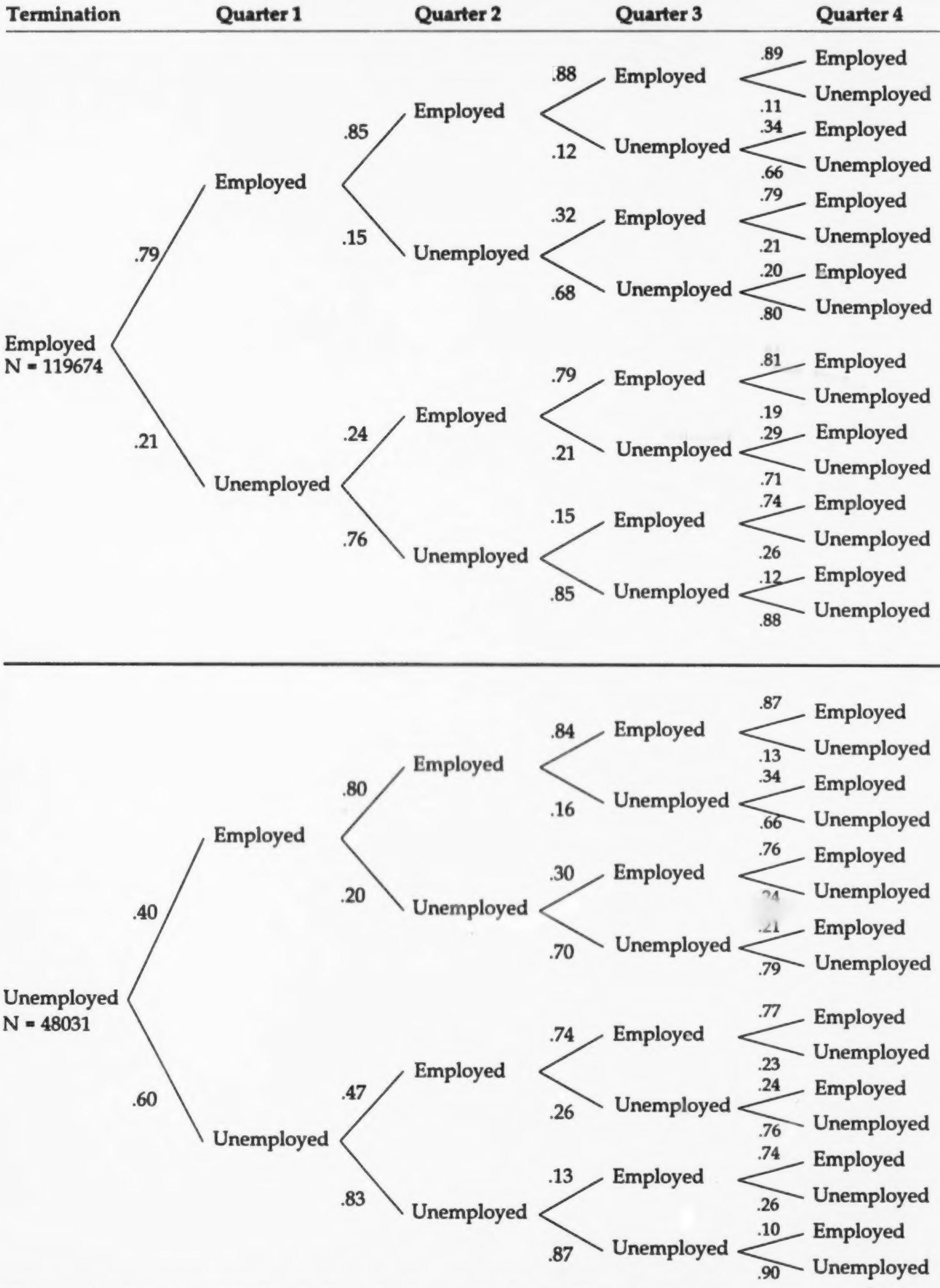

Termination
Quarter 1
Quarter 2
Quarter 3
Quarter 4
Employed
N = 35884
.78
.22
Employed
Unemployed
.83
.17
.23
.77
Employed
Unemployed
Employed
Unemployed
.86
.14
.28
.72
.78
.22
.16
.84
Employed
Unemployed
Employed
Unemployed
Employed
Unemployed
Employed
Unemployed
.88
.12
.32
.68
.77
.23
.21
.79
.78
.22
.27
.73
.73
.27
.13
.87
Employed
Unemployed
Employed
Unemployed
Employed
Unemployed
Employed
Unemployed
Employed
Unemployed
Employed
Unemployed
Employed
Unemployed
Employed
Unemployed
Unemployed
N = 21127
.32
.68
Employed
Unemployed
.76
.24
.15
.85
Employed
Unemployed
Employed
Unemployed
.81
.19
.27
.73
.73
.27
.13
.87
Employed
Unemployed
Employed
Unemployed
Employed
Unemployed
Employed
Unemployed
.85
.15
.33
.67
.75
.25
.21
.79
.75
.25
.24
.76
.71
.29
.11
.89
Employed
Unemployed
Employed
Unemployed
Employed
Unemployed
Employed
Unemployed
Employed
Unemployed
Employed
Unemployed
Employed
Unemployed
Employed
Unemployed

Figure 6
Quarter to Quarter Employment Transition Rates
PY86 and PY87 Title II-A Adult Terminees
Males



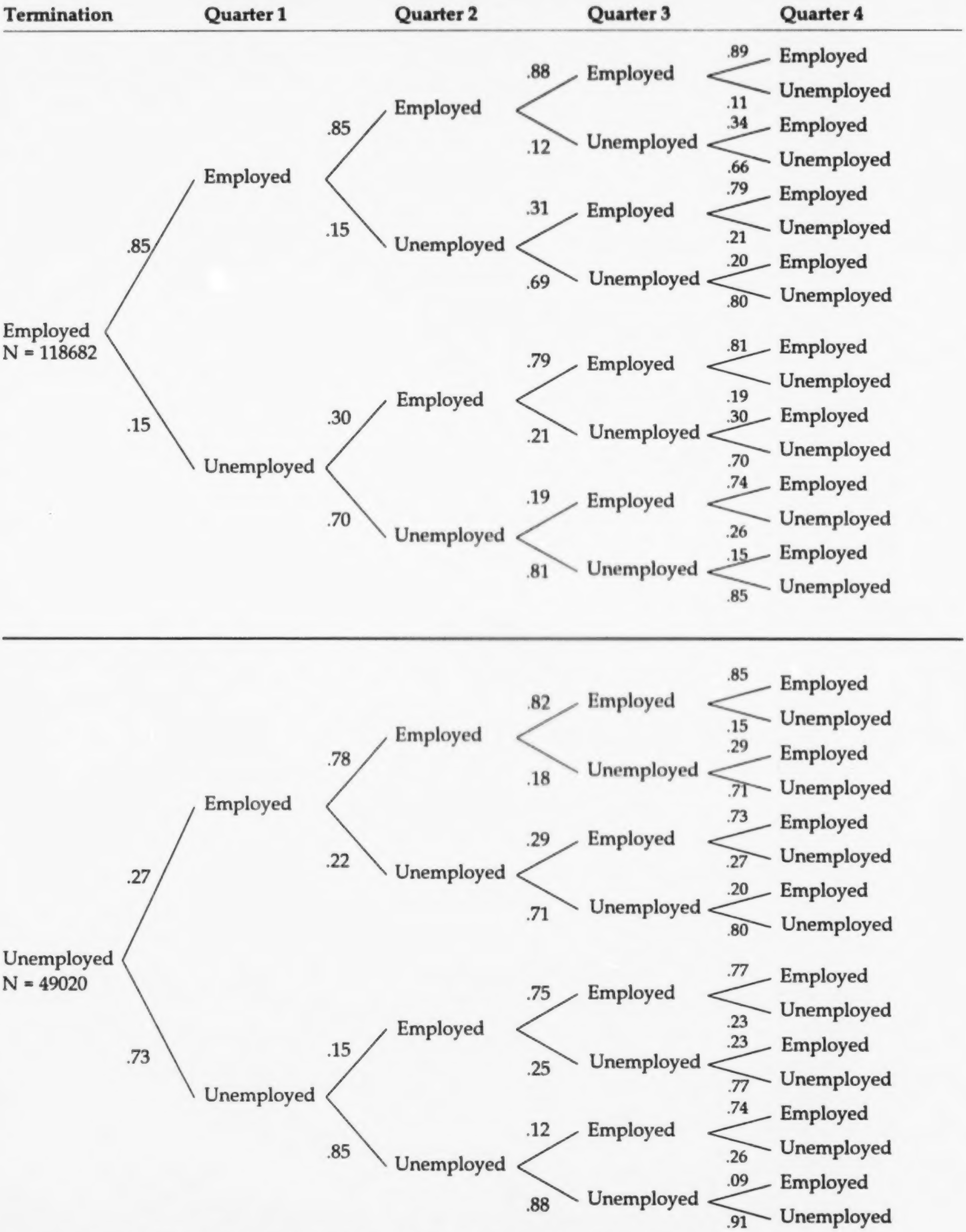
Termination
Quarter 1
Quarter 2
Quarter 3
Quarter 4
Employed
N = 94851
.79
Employed
.85
Employed
.88
Employed
.90
Employed
.10
Unemployed
.12
Unemployed
.35
Employed
.65
Unemployed
.15
Unemployed
.32
Employed
.81
Employed
.19
Unemployed
.68
Unemployed
.21
Employed
.79
Unemployed
.21
Unemployed
.25
Employed
.79
Employed
.81
Employed
.19
Unemployed
.21
Unemployed
.32
Employed
.68
Unemployed
.75
Unemployed
.17
Employed
.75
Employed
.25
Unemployed
.83
Unemployed
.13
Employed
.87
Unemployed
Unemployed
N = 29194
.44
Employed
.79
Employed
.83
Employed
.87
Employed
.13
Unemployed
.17
Unemployed
.35
Employed
.65
Unemployed
.21
Unemployed
.31
Employed
.74
Employed
.26
Unemployed
.69
Unemployed
.22
Employed
.78
Unemployed
.56
Unemployed
.18
Employed
.74
Employed
.77
Employed
.23
Unemployed
.26
Unemployed
.24
Employed
.76
Unemployed
.82
Unemployed
.12
Employed
.74
Employed
.26
Unemployed
.88
Unemployed
.10
Employed
.90
Unemployed

Figure 7
Quarter to Quarter Employment Transition Rates
Employment Status at Termination Based on MIS Data*
PY86 and PY87 Title II-A Adult Terminees


Termination
Quarter 1
Quarter 2
Quarter 3
Quarter 4
Employed
N = 119674
.79
Employed
.85
Employed
.88
Employed
.89
Employed
.11
Unemployed
.12
Unemployed
.34
Employed
.66
Unemployed
.15
Unemployed
.32
Employed
.79
Employed
.21
Unemployed
.68
Unemployed
.20
Employed
.80
Unemployed
.21
Unemployed
.24
Employed
.79
Employed
.81
Employed
.19
Unemployed
.21
Unemployed
.29
Employed
.71
Unemployed
.76
Unemployed
.15
Employed
.74
Employed
.26
Unemployed
.85
Unemployed
.12
Employed
.88
Unemployed
Unemployed
N = 48031
.40
Employed
.80
Employed
.84
Employed
.87
Employed
.13
Unemployed
.16
Unemployed
.34
Employed
.66
Unemployed
.20
Unemployed
.30
Employed
.76
Employed
.24
Unemployed
.70
Unemployed
.21
Employed
.79
Unemployed
.60
Unemployed
.47
Employed
.74
Employed
.77
Employed
.23
Unemployed
.26
Unemployed
.24
Employed
.76
Unemployed
.83
Unemployed
.13
Employed
.74
Employed
.26
Unemployed
.87
Unemployed
.10
Employed
.90
Unemployed

*States used are: Florida, Idaho, Illinois, Kentucky, Maryland, Missouri, Nevada, and Utah.

Figure 8
Quarter to Quarter Employment Transition Rates
Employment Status at Termination Based on UI Wage-Record Data*
PY86 and PY87 Title II-A Adult Terminees


Termination
Quarter 1
Quarter 2
Quarter 3
Quarter 4
.89
Employed
.88
Employed
Unemployed
.11
Employed
.85
.34
Employed
.12
Unemployed
Unemployed
.66
Employed
.79
Employed
.31
Employed
Unemployed
.15
.21
.85
Unemployed
.20
Employed
.69
Unemployed
.80
Unemployed
Employed
N = 118682
.81
Employed
.79
Employed
Unemployed
Employed
.19
.30
.30
Employed
.15
.21
Unemployed
Unemployed
Unemployed
.70
.74
Employed
.19
Employed
.70
Unemployed
Unemployed
.26
.15
Employed
.81
Unemployed
.85
Unemployed
.85
Employed
.82
Employed
Employed
Unemployed
.15
.29
Employed
.78
.18
Unemployed
Employed
.71
Unemployed
.73
Employed
.29
Employed
.27
Unemployed
.27
.22
Unemployed
.20
Employed
.71
Unemployed
.80
Unemployed
Unemployed
N = 49020
.77
Employed
.75
Employed
Unemployed
Employed
.23
.23
Employed
.73
.15
.25
Unemployed
Unemployed
Unemployed
.77
.74
Employed
.12
Employed
.85
Unemployed
Unemployed
.26
.09
Employed
.88
Unemployed
.91
Unemployed

*States used are: Florida, Idaho, Illinois, Kentucky, Maryland, Missouri, Nevada, and Utah.

Endnotes To Chapter IV

1. The eleven States in Phase I were as follows: Florida, Idaho, Illinois, Indiana, Missouri, Nevada, Oregon, South Carolina, Utah, Virginia, and Washington. The database consisted of all JTPA participants who terminated from the program during Program Year 1986. Four quarters of pre-program and four quarters of post-program UI wages were requested for each participant.

2. Program Year 1986 is July 1, 1986 to June 30, 1987; and Program Year 1987 is July 1, 1987 to June 30, 1988.

3. John Baj and Charles E. Trott, with David Stevens, A Feasibility Study of the Use of Unemployment Insurance Wage-Record Data as an Evaluation Tool for JTPA, Phase I, National Commission for Employment Policy, Washington, D.C., Research Report Number 90-02, January 1991.

4. As noted above, nonrespondents to the survey could not be identified in two States. As a result, the response rates presented here are slightly inflated.

5. Richard W. West, Katherine P. Dickinson and Catherine M. Casserly, Performance Standards '89: Managing Quality Programs, Follow-up Training Materials, Menlo Park,Ca: SRI International, 1989.

6. The parameter estimates presented in Table 3 are somewhat different from those presented in the Phase I report. There are two reasons for these differences. First, the supplemental welfare sample was excluded in the Phase I analysis, but included in the Phase II analysis. Second, the Phase I analysis did not adjust for State differences in the overall response rate, i.e., dummy variables for States were not used.

7. Two of the Phase II States were excluded from this analysis because they did not provide information on nonrespondents, as discussed earlier.

8. There is a fourth possible explanation for why a JTPA participant may not appear in UI wage-record data -- the participant may have been employed by a "reimbursable employer." However, wage data are available for reimbursable employers in the State of Illinois (selected for special analysis below) and many other of the project States.

9. Exempt status was inferred if the name of the employer was an individual rather than a company.

10. The eight States for this analysis were: Florida, Idaho, Illinois, Kentucky, Maryland, Missouri, Nevada and Utah. Each had voluntarily provided UI data for the quarter of termination.

11. The subgroups were defined on the basis of sex, race, educational status, welfare status and the type of training received while in the JTPA program.

12. The study is being conducted by Dr. William Bowman. He is using a quasi-experimental design in the tradition of the work by Dr. James Heckman and his associates. For example, see Heckman, J. and V. J. Hotz, "Choosing Among Alternative Nonexperimental Methods for Estimating the Impact of Social Programs: The Case of Manpower Training," Journal of the American Statistical Association, Vol. 84, No. 408, December 1989, pp. 862-880.

13. A major study of the JTPA program is being conducted by Abt Associates for the U.S. Department of Labor. The National JTPA Study is using a classical experimental design involving randomly selected control groups to measure the net impact of JTPA. For examples of State-level net impact efforts, see James Hanna and Zina Turney, "The Net Impact of the Nevada JTPA Title II Program," prepared for the Nevada State Job Training Office, 1988; and "The Return on Investment From Indiana's Training Programs Funded Through the Job Training Partnership Act," prepared by the Research and Assessment Section of the Indiana Department of Employment and Training Services, 1986.

14. The transition rate between Status A and B is defined as the percentage of individuals in Status A at time T who were subsequently in Status B at time T+1.

15. The male population was not disaggregated into public assistance/ non-public assistance subgroups due to the relatively small number of males receiving public assistance.

16. This analysis was based on information from the eight States that provided UI wage-record data for the quarter for termination: Florida, Idaho, Illinois, Kentucky, Maryland, Missouri, Nevada and Utah. Since the transition rates produced from the data for these States were nearly identical to those presented in Figure 3, they are not presented.

17. Lois Thiessen Love, "Family Dependency and Job Retention: Implications," paper presented at the 1990 meeting of the American Evaluation Association, 1990.

APPENDIX IV.A

Database Development

Database Development

Phase I Database

Eleven States participated in Phase I of this project: Florida, Idaho, Illinois, Indiana, Missouri, Nevada, Oregon, South Carolina, Utah, Virginia, and Washington. They were required to submit two micro-data files to the clearinghouse.[1] The first data file contained demographic, program activity and program outcome information for each JTPA Title II-A and Title III adult and not-in-school youth participant who left the State's program during Program Year 1986 (PY86).[2] These data were extracted from the State's JTPA management information system (MIS) and included post-program data collected through the JTPA 13th-week follow-up survey.

The second data file contained wage information extracted from the State's Unemployment Insurance (UI) wage records. For each person in the JTPA data file, the States were required to submit four quarters of pre-program UI wage information and four quarters of post-program UI wage information. The States located former JTPA clients on the UI database by using the clients' social security numbers as identifiers. When matches occurred, the wage data were extracted and stored in a separate file. This UI extract file was then transferred to the clearinghouse along with the JTPA file.

The JTPA and UI extract files were merged by both the individual States and the clearinghouse, and each produced a series of data tables. The two sets of tables were compared in order to determine if there were any mis-communications regarding the coding of data items and to insure that pre- and post-program quarters were being correctly identified. This data checking routine proved to be valuable tool for locating problems in the submitted data files. Further information regarding the procedures and techniques used to develop this database can be found in the Phase I report.[3]

Phase II Database

Phase II of this project was both an extension and expansion of the first phase. In Phase II, four new States were added to the list of already participating States -- Georgia, Kentucky, Maryland, and Texas. Each of the new States was required to meet the data demands of Phase I as well as those of Phase II discussed below. In other words, these States were required to play "catch-up" by supplying the PY86 data previously submitted by the eleven continuing States.

Phase II required each of the fifteen participating States to provide information on individuals who left the JTPA program during Program Year 1987 (PY87).[4] Similar to the request in Phase I, the States were asked to submit four quarters of pre-program UI wage information and four quarters of post-program UI wage information for former JTPA clients. Although the States were not requested to submit information on in-school youth, a number of States chose to supply this information, as they had in Phase I.

An important feature of Phase II was an extended tracking of the post-program experiences of PY86 program completers. Each State was asked to supply an additional four quarters of post-program UI wage data for this group of individuals. Access to this information allowed an extension of the gross outcomes analysis, developed in the Phase I study, to eight quarters of post-program experiences. These results are presented in the third section of this chapter.

The previous analysis of the Phase I data revealed a larger than expected decline in post-program employment rates between the third and fourth post-program quarters. In order to assess whether these declines were "real," or the result of incomplete fourth quarter data, the States were asked to reproduce these data in Phase II. If the declines were real, the fourth quarter data submitted by the States for Phase II should have replicated the patterns found in Phase I. However, this did not occur. The fourth quarter data for PY86 program completers submitted in Phase II produced a third-to-fourth quarter employment decline that was much less dramatic than the decline produced by the original Phase I data. This suggests that the fourth quarter data submitted in Phase I were incomplete.

Two alternative explanations for the incomplete fourth quarter data were considered. One hypothesis was that the data were incomplete because of late reporting by employers to the State's UI system. In other words, the data had not been submitted to the clearinghouse because the information was not present in the State's UI system at the time the Phase I data were extracted. The other hypothesis was that the information was in the State's UI systems but that problems occurred in extracting it. Given the need to develop matching algorithms to access UI information for JTPA program completers, undetected data-access problems were quite possible.

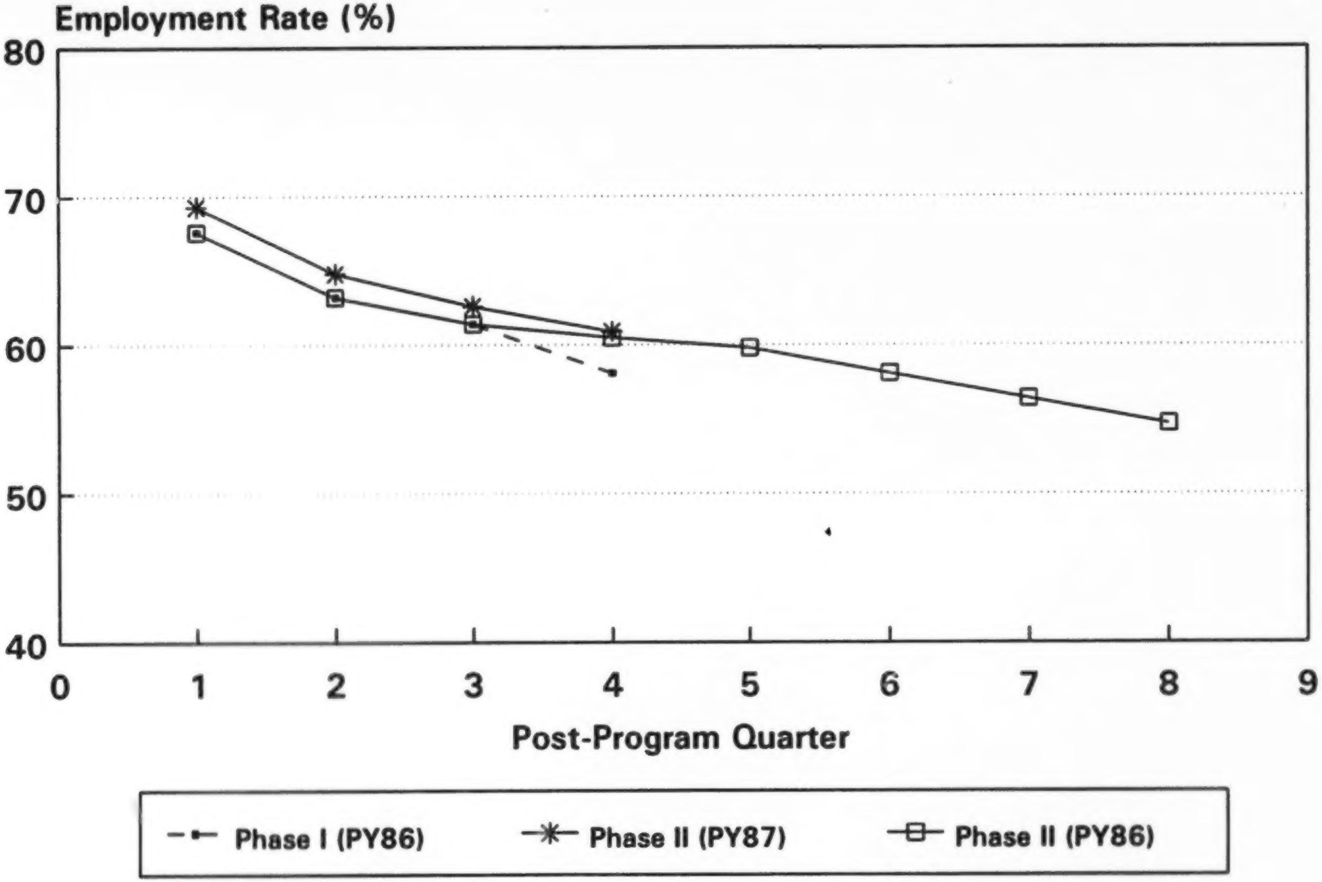
A comparison of the original fourth quarter data submitted in Phase I with the corresponding data submitted in Phase II revealed that data extract errors were the major explanation. In several States, there were numerous instances in which fourth quarter data submitted in Phase I were not found in the Phase II reproduction of this quarter. Efforts by State staff to track down the reason for the disappearance of these data invariably revealed a data extract problem. Once these problems were corrected, new files were generated for both the PY86 and PY87 program completers.

The presence of data extract problems in Phase I does not eliminate the possibility that late reporting also played a role in the observed third-to-fourth quarter decline in employment rates. To assess this possibility, the post-program patterns produced by the UI data submitted for PY87 program completers were examined. If late reporting by employers was a major source of the relatively large third-to-fourth quarter decline in employment found in the original Phase I data, one would expect to see an equally large decline between these two quarters in the Phase II data for PY87 program completers. However, if this large decline did not occur, the inference from this evidence would be that data extract errors were the crucial issue.

This analysis supported the conclusion that data extract errors were the primary cause of the large third-to-fourth quarter employment declines found in the original Phase I data (see Figure 1). The post-program employment pattern found for PY87 program completers looks very similar to the pattern exhibited for PY86 program completers using the corrected Phase II data. Since late reporting by employers to the UI system is not a factor in the corrected fourth quarter data for PY86 program completers, the similarity of these patterns suggest that late reporting by employers is a minor concern.[5] This conclusion is further supported by the gradual decline exhibited between the seventh and eight post-program quarters for PY86 program completers. If late reporting by employers was a major problem, one would expect a more dramatic decline in employment between these two quarters.

There were also differences between the Phase I and Phase II databases with regard to the post-program survey data. Some of the States participating in Phase I rebuilt their JTPA data files and resubmitted them to the clearinghouse during Phase II. In the process of reconstructing the Phase I database, it became apparent that some of the revised data files contained more post-program survey data than the previously submitted files, while others contained less survey data. The States were asked to explain such discrepancies between the two data submissions. The usual explanation was a computer programming problem in merging the

Figure 1
Comparison of Phase I and Phase II Data
Post-Program Employment Trends



post-program survey data with the other JTPA data.[6] The end result was that there is slightly more post-program survey data for PY86 program completers in the current database.

The construction of the Phase II database was delayed due to the inability of two States to supply the clearinghouse with data files within the time frame allowed for this activity. In one of the States, the problem resulted from staff turnover. The individual who had processed the data for Phase I left the State agency without documenting the procedures used to extract the data. The new person in this position had to recreate a number of computer programs, forcing a delay in production of the data.

In the second State, the problem stemmed from a temporary reduction in the State's computer resources and support. This State requested and received an extension of the deadline for producing the Phase II data. Although this resource limitation was eventually resolved, it caused a substantial delay in the creation of the Phase II database.

Both of the States that experienced difficulties in producing the Phase II data informed the clearinghouse that their problems were temporary. Both of these States had participated in Phase I of this project, and neither had experienced any problems in meeting the deadlines set in the earlier phase.

There are some gaps in the project's database. Most of these gaps were identified and discussed in the Phase I report cited above. The remainder of this appendix focuses attention on new data problems which emerged in Phase II.

Three of the four new States could not supply all of the requested data. One State had relied on a previously constructed UI extract file to meet the data needs of the current project. By relying on this extract file, the State could not provide all of the requested pre-program UI information. In addition, the State also reported that post-program UI data for Title III participants were not available prior to the first quarter of PY87. However, complete post-program UI data were available for all of the State's Title II-A participants.

The other two States were unable to identify individuals in the 13th-week follow-up sample who had not responded to the telephone survey. Although the data gathered from former JTPA clients who responded to the survey were stored on their JTPA data system, it was impossible to identify individuals who were selected for the survey but did not respond. As a result, the data from these States could not be used in analyses requiring knowledge of both respondents and nonrespondents to the post-program survey.

Finally, one of the latter two States did not supply complete post-program UI data for its PY86 program completers. This State had unusually low UI-based employment rates for the fifth to eight post-program quarters. Further analysis revealed a computer programming problem in extracting the UI information. Rather than delay the production of this chapter, the decision was made to exclude this State's data from analyses requiring complete post-program information.

Endnotes To Appendix IV.A

1. For technical reasons, the clearinghouse requested that the States submit the information described for the JTPA data file in two separate data sets. To simplify the present discussion, these two data sets are characterized as a single file.

2. Program Year 1986 is July 1, 1986 to June 30, 1987.

3. John Baj and Charles E. Trott, with David Stevens, A Feasibility Study of the Use of Unemployment Insurance Wage-Record Data as an Evaluation Tool for JTPA, Phase I, National Commission for Employment Policy, Washington, D.C., Research Report Number 90-02, January 1991.

4. Program Year 1987 is July 1, 1987 to June 30, 1988.

5. The assumption that late reporting is rare in the corrected PY86 data is based on the observation that employers would have had over one year to submit their wage information by the time the UI files were accessed the second time.

6. Many States employ outside contractors to collect the post-program survey data. Most of these contractors do not have on-line access to the JTPA MIS. As a result, the data they collect are not directed entered into the MIS system but instead are merged with the larger JTPA database through the use of separate computer programs.

APPENDIX IV.B

Employment And Earnings Trends

Program Years 1986 and 1987
JTPA Title II-A Adult Terminees

The following figures display the pre-program and post-program employment and earnings trends for adult terminees from JTPA's Title II-A program. The section labeled "PROGRAM" in the middle of the figures refers to the in-program period, including the quarter of enrollment and the quarter of termination.

For Figures 1 - 5, the quarterly employment rates are defined as the percentage of terminees who had UI wages reported for a given quarter. The earnings displayed in Figures 6 - 10 are defined as the average earnings of employed workers.

Figure B.1a
Employment Trends By Sex
Program Year 1986

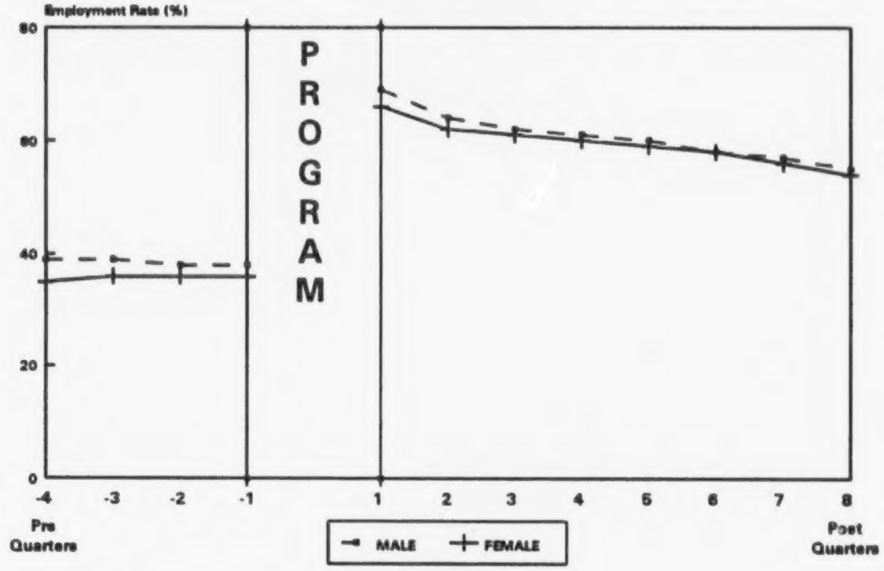


Figure B.1b
Employment Trends By Sex
Program Year 1987

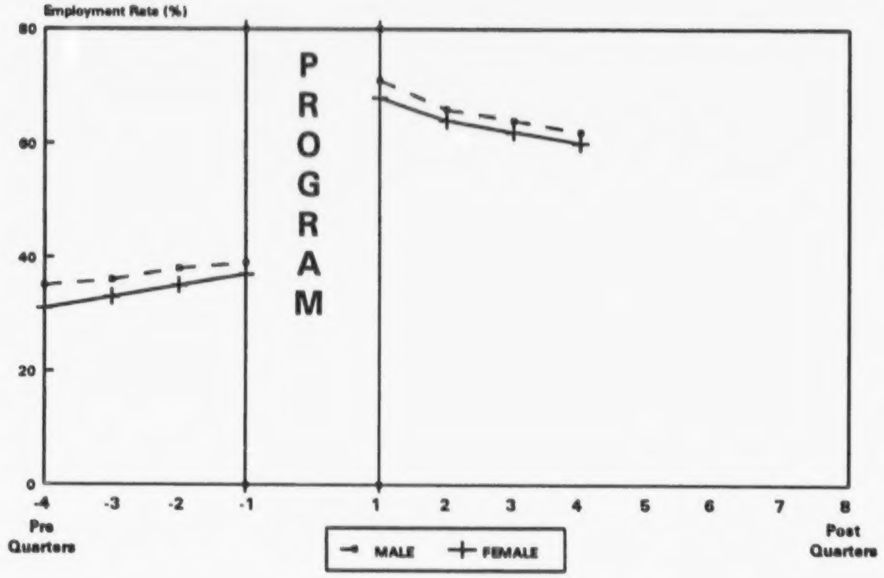


Figure B.2a
Employment Trends By Race/Ethnicity
Program Year 1986

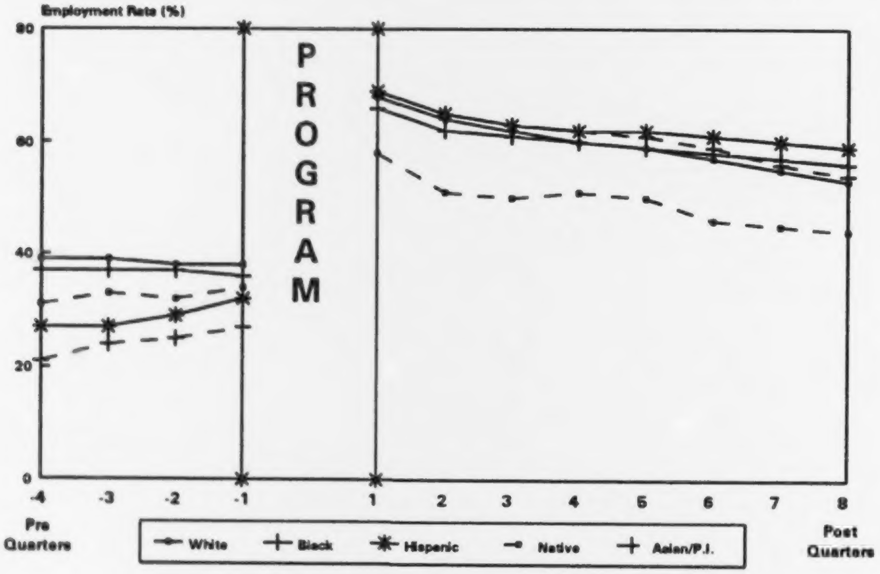


Figure B.2b
Employment Trends By Race/Ethnicity
Program Year 1987

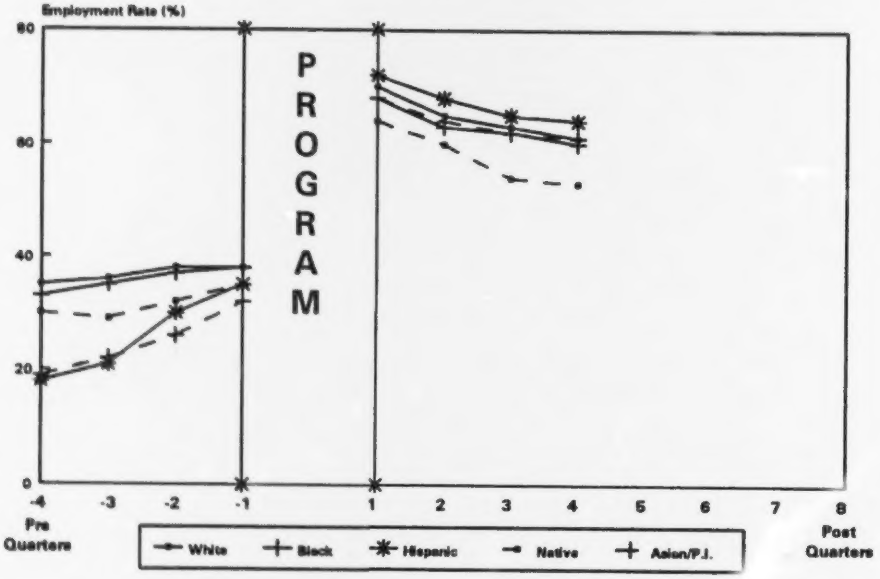


Figure B.3a
Employment Trends By Educational Status
Program Year 1986

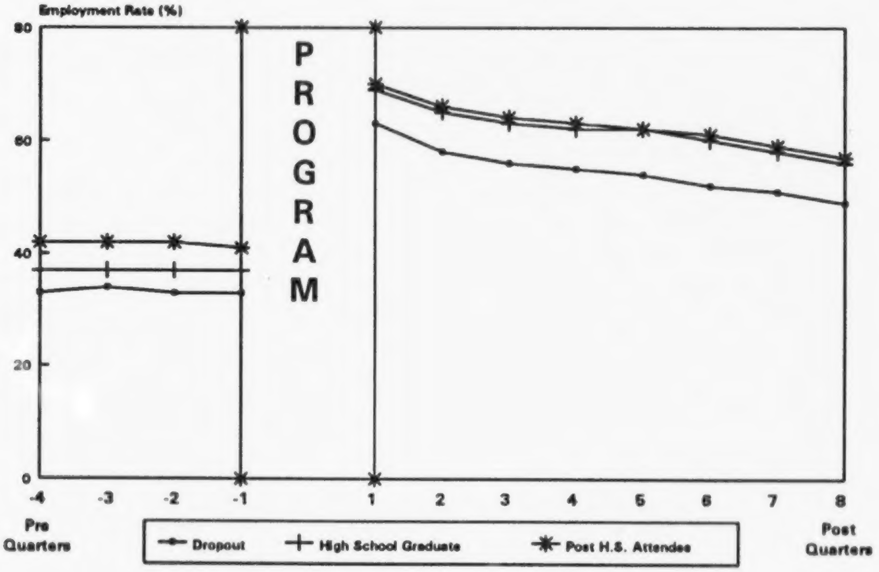


Figure B.3b
Employment Trends By Educational Status
Program Year 1987

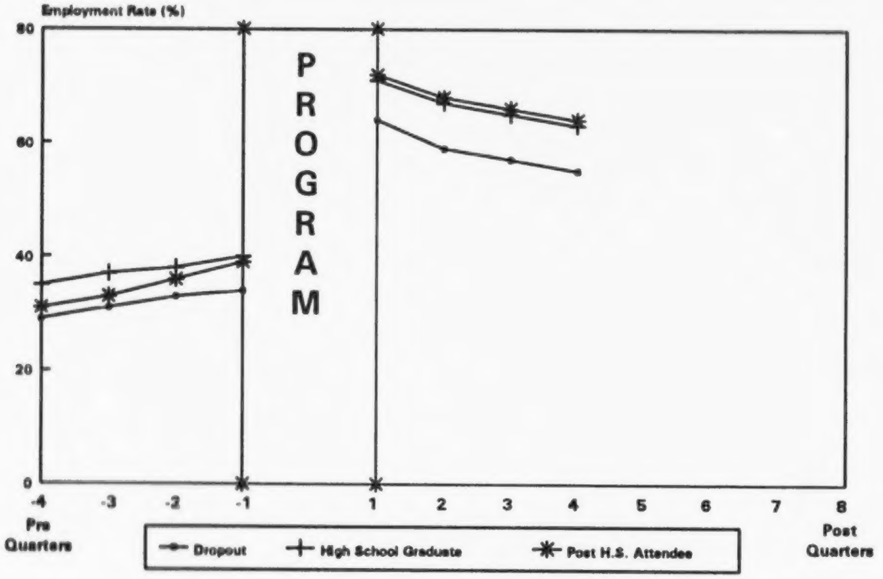


Figure B.4a
Employment Trends By Welfare Status
Program Year 1986

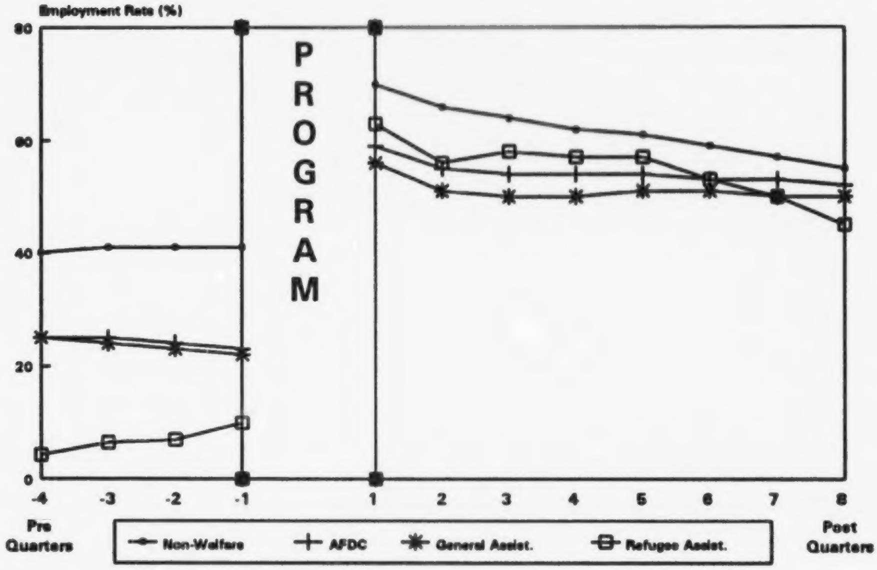


Figure B.4b
Employment Trends By Welfare Status
Program Year 1987

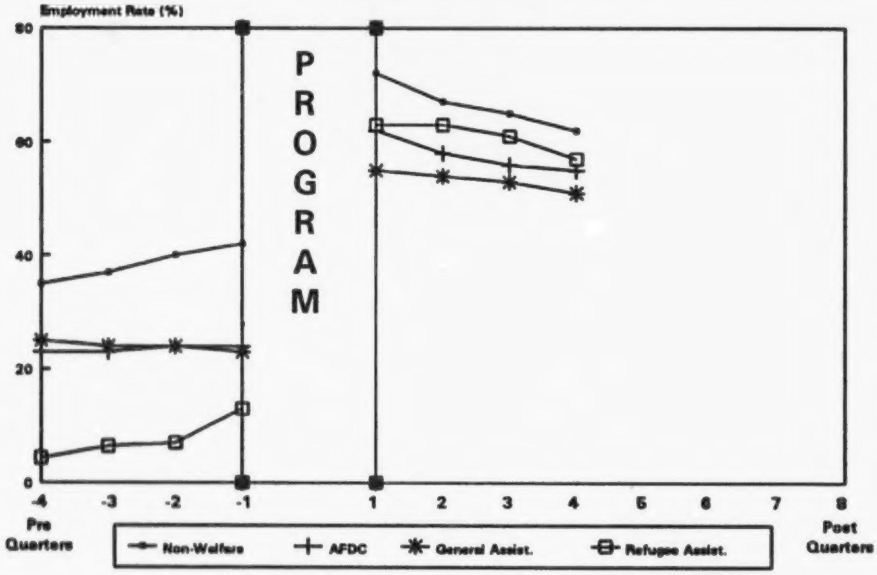


Figure B.5a
Employment Trends By Program Activity
Program Year 1986

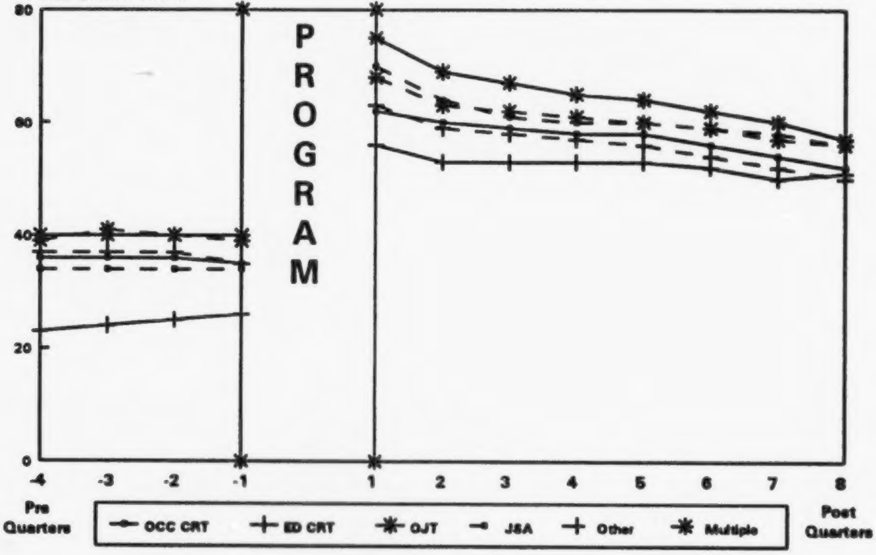


Figure B.5b
Employment Trends By Program Activity
Program Year 1987

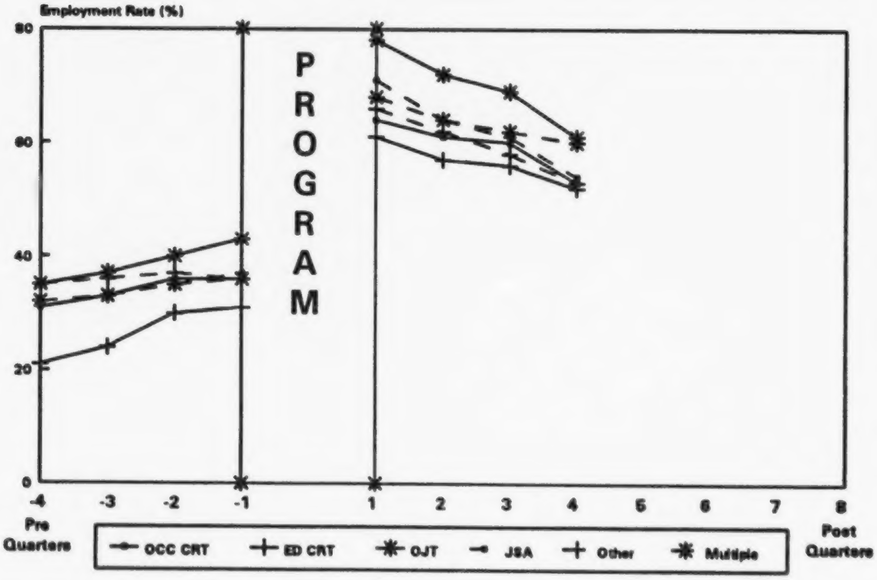


Figure B.6a
Earnings Trends By Sex
Program Year 1986

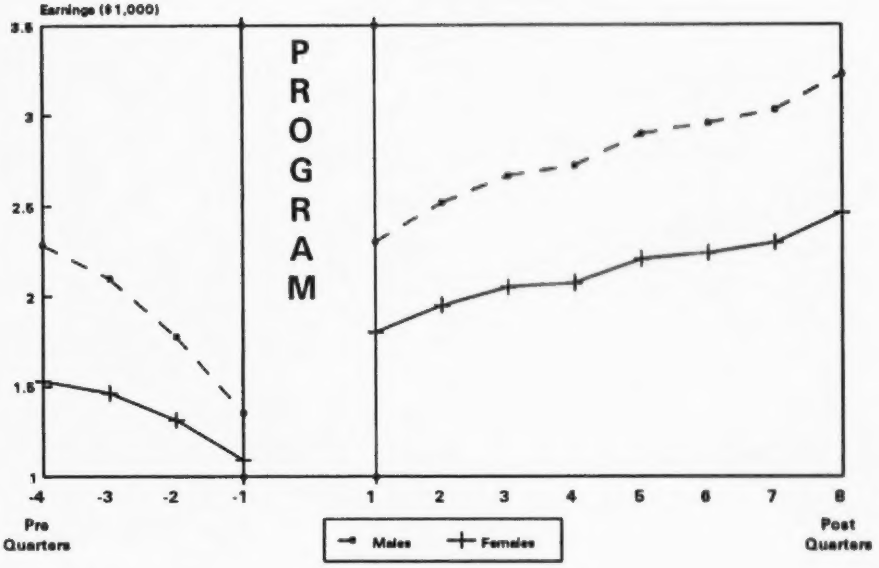


Figure B.6b
Earnings Trends By Sex
Program Year 1987

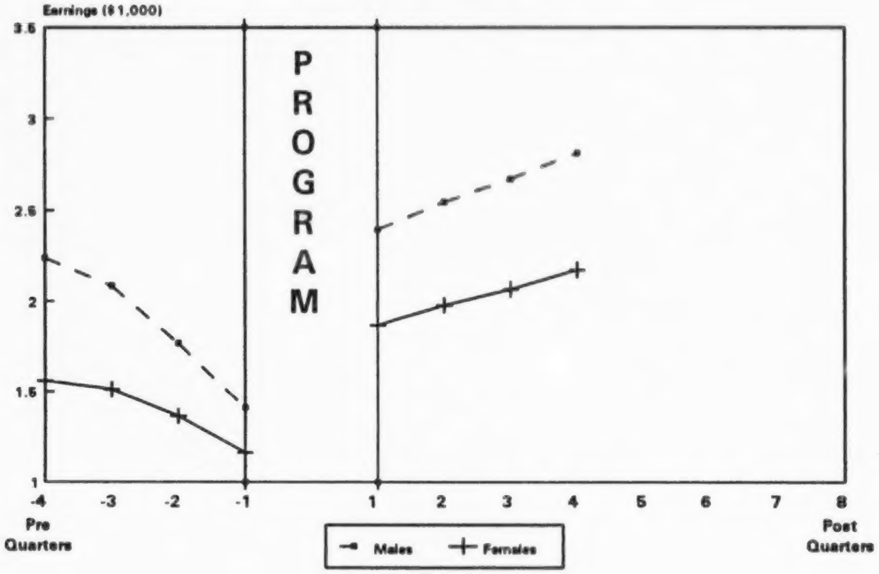


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Figure B.7a
Earnings Trends By Race/Ethnicity
Program Year 1986

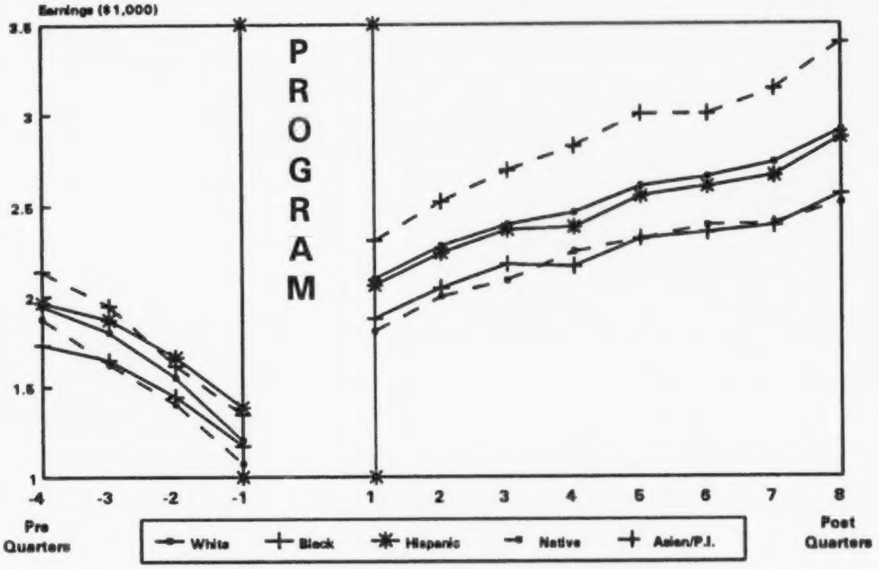


Figure B.7b
Earnings Trends By Race/Ethnicity
Program Year 1987

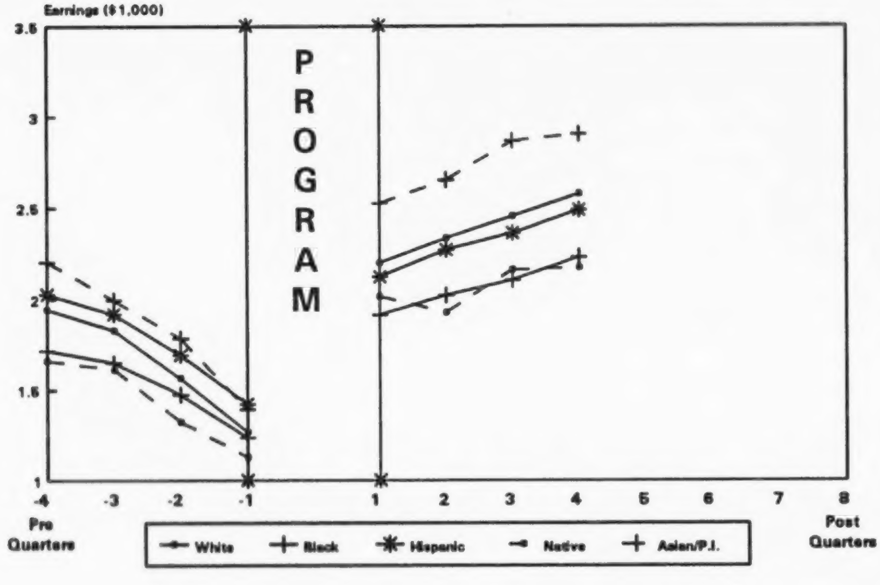


Figure B.8a
Earnings Trends By Educational Status
Program Year 1986

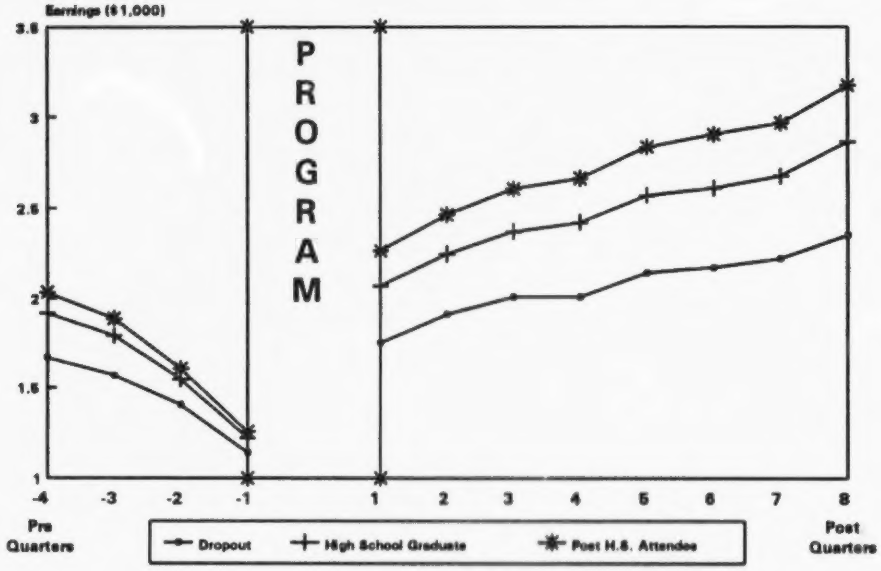


Figure B.8b
Earnings Trends By Educational Status
Program Year 1987

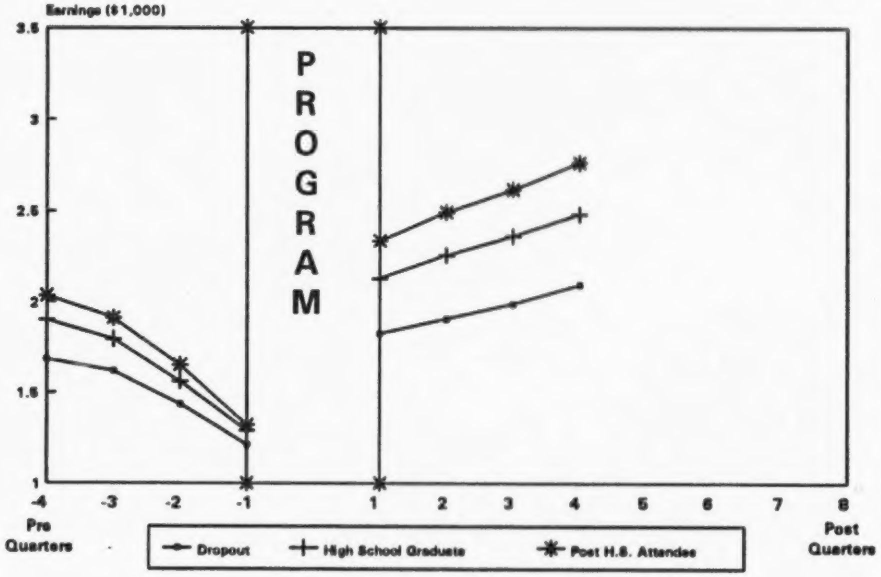


Figure B.9a
Earnings Trends By Welfare Status
Program Year 1986

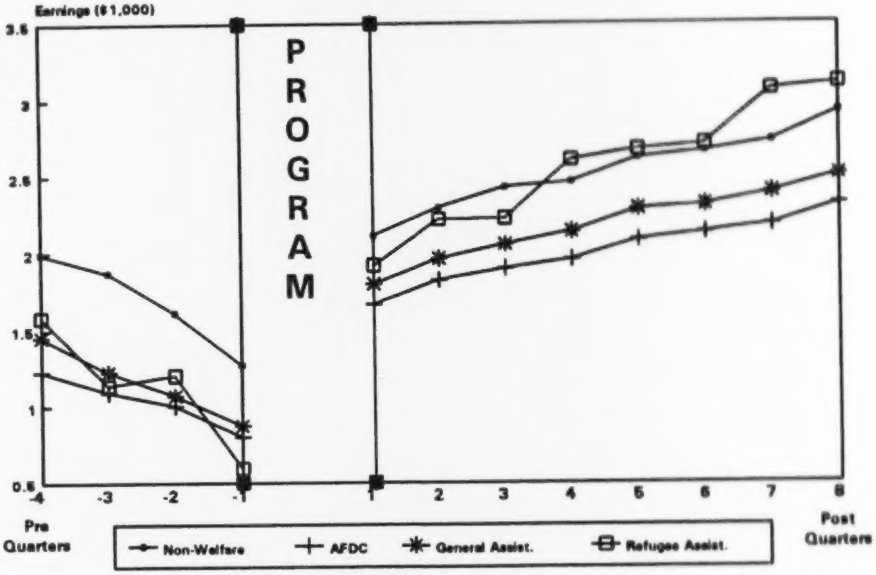


Figure B.9b
Earnings Trends By Welfare Status
Program Year 1987

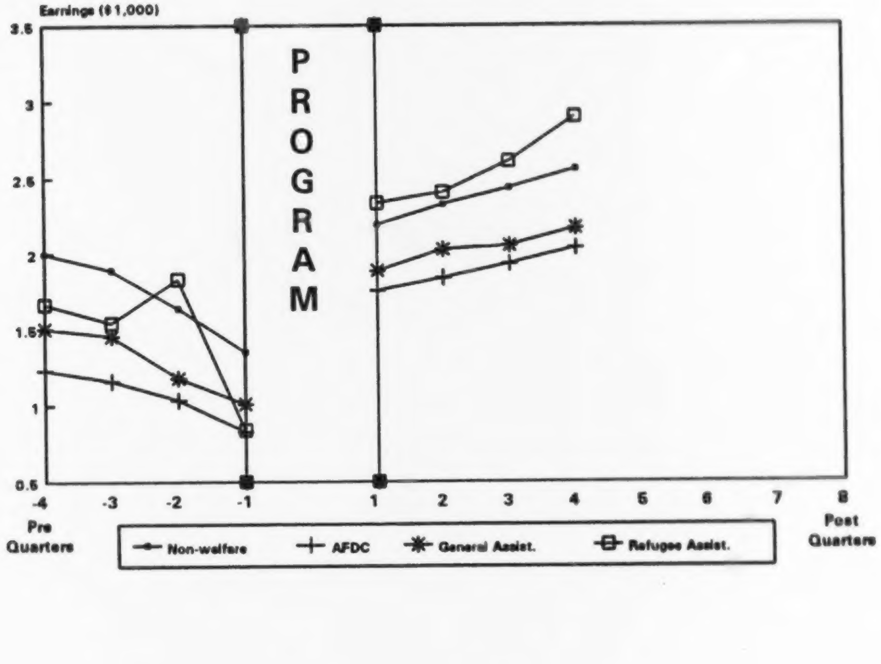


Figure B.10a
Earnings Trends By Program Activity
Program Year 1986

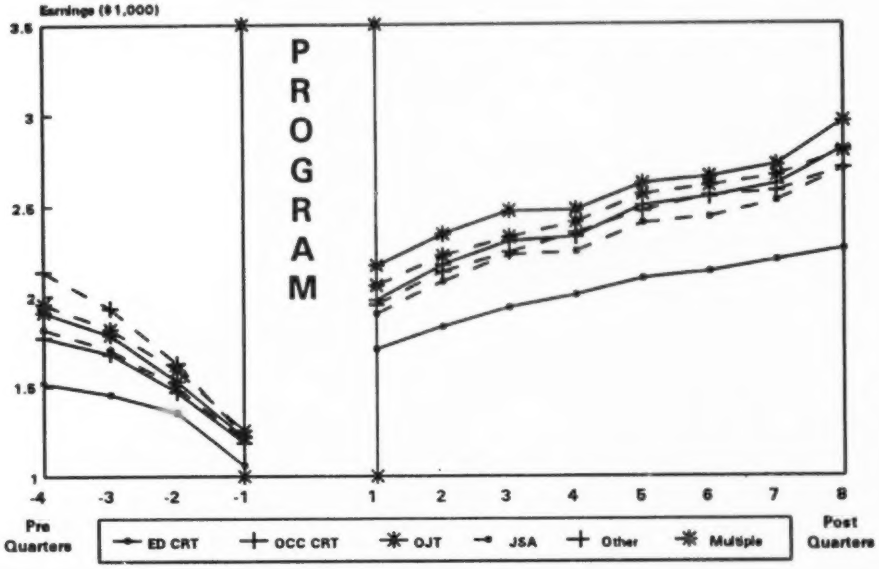
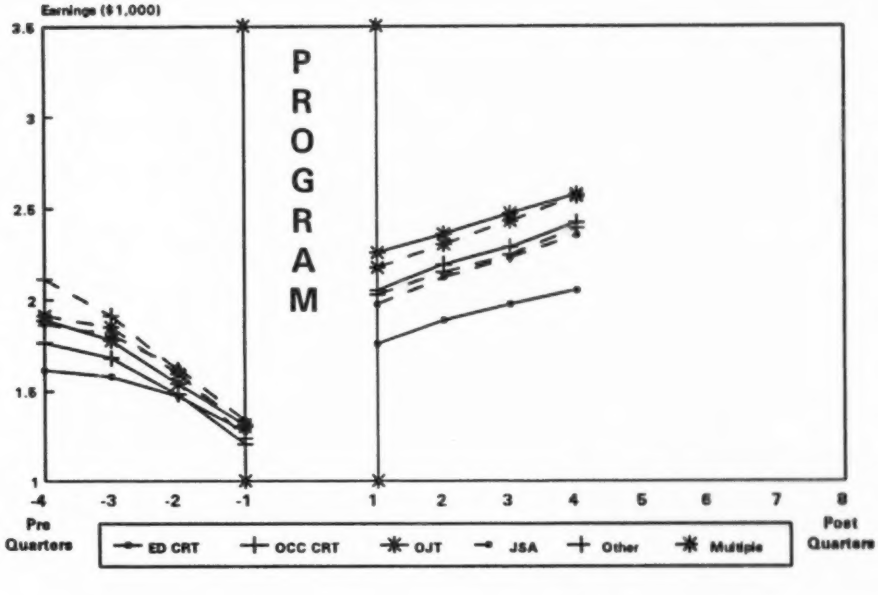


Figure B.10b
Earnings Trends By Program Activity
Program Year 1987



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